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CENTRAL EURASIA



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FBIS Report: Central Eurasia

FBIS-USR-94-106

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December CSCE Summit Previewed

944F1534A Moscow NEZAVISIMAYA GAZETA
in Russian 13 Sep 94 p 2

[Article by Yuriy Ushakov, director of the Russian Federation Ministry of Foreign Affairs Department of All-European Cooperation: "Targets for the CSCE for Today and Tomorrow: Not All Russia's Foreign Partners Have an Unambiguous View of the Proposition Concerning the Central Role of the CSCE"]

[Text] A meeting of heads and [as published] governments of the participants in the CSCE will be held 5-6 December in Budapest. Great expectations are linked to it. The mission is to enhance the role of the CSCE and to determine the reference points whose achievement will raise appreciably the efficiency and operational dispatch of all-European mechanisms and structures and retune them in accordance with the demands of the times.

The leaders of the CSCE countries will make in Budapest an evaluation of the present European situation, and not only of its pluses, but also take into account the appearance of new sources of instability and tension. The main thing, however, is that the general directions of the further building of Europe in the broadest sense will be outlined.

There is for Russian diplomacy currently no more important task in the European direction than to promote the success of the summit meeting. This ensues from the very essence of our concept of all-European partnership. It assigns, as we know, the CSCE the central role in the ensurance of security and stability.

Not all our foreign partners greet the proposition concerning the central role of the CSCE unambiguously. Nonetheless, it is—this being particularly notable on the threshold of the summit—blazing a trail for itself. It is coming to be understood that the CSCE has a unique potential and a number of parameters that are not characteristic of other regional institutions.

First, the unparalleled envelopment of countries. The increase in the number of participants in the CSCE thanks to the group of new states is enlarging the content of the security concept. Strictly speaking, it is no longer sufficient now to speak of "security in Europe." The goal of the creation of a community of free, democratic states from Vancouver to Vladivostok and the unification of Eurasia and North America in a single political, legal, and democratic space is now being proposed. This is the challenge for the CSCE of the 21st century.

Second, states operate in the CSCE on a genuinely equal basis. In the majority of regional organizations, there are participants that call the tune and that shape and even determine overall policy. This was the case in the Warsaw Pact. Something similar, it may be divined, is happening in NATO also. In the CSCE, however, all—large and small—are equal. From the viewpoint of a

consistent democratic character, the CSCE is without exaggeration an organization of the future.

Third, the CSCE is with increasing certainty influencing Europe's contemporary history. The idea heard in the statements of Russian leaders—it was clearly expressed by Boris Yeltsin in his recent speech in Berlin—that it is the CSCE and its fundamental principles that were the winners in the cold war is by no means just a fine-sounding metaphor. The contribution of the Helsinki process to the triggering of transformations in Eastern Europe is obvious. The principles of the CSCE formerly undermined the totalitarian regime in our country also. The ideas and the spirit of the CSCE were the winners, not the arms race or confrontation logic.

Now, when the military dimension of security is not predominant, the advantage of the CSCE—its comprehensive approach and its capacity for concerning itself with literally everything by which Europeans live—is manifesting itself even more certainly. The CSCE is involved in everything—and so it should continue to be.

The Russian program of an enhancement of the efficiency of the CSCE is geared to strengthening the CSCE and to ensuring that the Budapest summit becomes a pivotal event in this respect. It is of a multilayered nature. It includes fundamental considerations concerning the place of the CSCE in the future Europe and specific proposals for an improvement in its mechanisms and its increased contribution to the early warning and settlement of conflicts and the protection of human rights, a strengthening of states' interaction in the military-political and economic spheres, and for symmetry to be imparted to the organizational pyramid of the CSCE.

As the foreign responses to the program show, there are no disagreements as regards the fact that it is necessary to enhance appreciably the operational dispatch and efficacy of CSCE decisions adopted in crisis and conflict situations. The all-European machinery cannot be allowed to break down when blood is being spilled somewhere and when human rights are being flouted flagrantly and in mass fashion and thousands of people are living in poverty, having been forced to leave their home surroundings.

Our idea of an executive committee—a kind of CSCE Security Council—is aimed at filling an appreciable gap in the structure of the CSCE that is preventing the full engagement of its possibilities in such situations. It is conceived of as being a body that has permanent and rotating members and that is endowed with the authority to promptly adopt decisions that are just as binding as the documents of CSCE meetings at ministerial level.

The idea of an executive committee is attracting considerable attention—an indicator that it has touched a live nerve of the debate under way in Europe. We see it as our job to lead the CSCE participants to constructive counterproposals, elements of which could be considered in further work on our initiative.

A reference point of the program for the enhanced efficiency of the CSCE is the elaboration of the special Charter of National Minority Rights. It would be expedient in the process of preparation for Budapest to talk through the approaches to the harmonization of this document. The main points here are correlation of the rights of national minorities with other principles of the CSCE, measures to combat aggressive nationalism, and responsibility for the incitement of national discord and attempts to employ coercive measures to shape a monoethnic state.

Whereas the charter for the CSCE is, probably, a "target for the future," a number of other Russian proposals has a pretty good chance of being realized at the present stage even. This applies primarily to a strengthening of the institution of a CSCE high commissioner for national minorities, the introduction of states' accountability for the fulfillment of its recommendations, and a reorientation of the mechanism of the human dimension toward the defense of human rights against manifestations of aggressive nationalism.

It is exceptionally important that use be made with even greater results of the CSCE's possibilities in the safeguarding of the rights and interests of the Russian-speaking population in other states.

Aside from the Russian program, there are also proposals of a number of other countries on the CSCE negotiating table also. They are to be synthesized in a summary political declaration—the principal document of Budapest. The declaration is seen as imbibing the essence of what the Russian side wanted to say with its program—precise, concise, and comprehensible not only to politicians and diplomats but primarily to the community at large.

The political declaration should reflect the need for a conceptual summary of whither and how much further European building should go in the elaboration of an all-embracing "Agenda for the Europe of the 21st Century."

The 50th anniversary of the end of WWII is approaching. We have sponsored an initiative for the adoption in Budapest of a special declaration that confirms the commitment of the CSCE participants to democracy and a mood to work jointly in favor of the formation of a safer and more stable Europe with regard to the lessons of the past. Our partners' responses to it have been constructive, on the whole.

The completion of the work within the CSCE framework on a number of other important documents will be timed to coincide, by all accounts, with the summit meeting. A Code of Conduct of the participants in the CSCE regulating their mutual relations in the security sphere is in preparation. A special document on the development of the potential of the CSCE in conflict prevention and crisis settlement will be to the credit of Budapest also, we hope. The Russian side supports the formulation of a document that is quite flexible and that does not attempt to embrace the unembraceable—each conflict has its own specific features. The work is proceeding not without difficulties as yet. Additional constructive impetus is needed.

The Budapest summit, preparations for which will shortly move into the home stretch, should provide answers to many questions concerning the future of the CSCE. Russia is convinced that the CSCE's horizons will be expanded even further.

ECONOMIC & SOCIAL AFFAIRS

Commentary on Foreign Investment Climate

944E1204A Moscow VOPROSY EKONOMIKI
in Russian No 8, Aug 94 pp 4-9

[Article by Ya. Urinson, doctor of economic sciences and first deputy minister of economics of the Russian Federation, based on a speech presented at the first meeting of the Consultative Council on Foreign Investments under the Russian Federation Government on 28 June 1994: "The Investment Climate in Russia and the Attraction of Foreign Investments"]

[Text] Deep-seated changes have occurred in Russia since 1991. A new constitution has been adopted for the country, which has facilitated the development of processes of democratization of our society. The Russian economy has taken on a new appearance. At the same time, perhaps the main thing has been the change in the consciousness of the workers, peasants, and directors.

In two-and-a-half years of reform, certain positive results have been achieved:

- there is an ongoing structural reorganization of the economy (relative share of material production has dropped to 50 percent) along with its demilitarization (military contracts have been reduced by 70 percent), and demand-oriented limitations have begun to take effect;
- for five months in a row, inflation has not exceeded 10 percent per month;
- over 40 percent of those who are employed work at nonstate enterprises;
- the interest rate of the Central Bank of the Russian Federation has been reduced from 210 to 150 percent per annum;
- a stable positive foreign trade balance has been achieved;
- the buying power of the ruble as compared with the dollar has increased by 12 percent during the five months of this year;
- in the first half of 1994 the real monetary income of the population increased, while the number of persons having income below the subsistence minimum declined from 36 million to 22 million persons.

At the same time, the general decline in production is continuing. In the first half of the current year, the GNP [gross national product] declined by 17 percent as compared with the corresponding period for 1993, and industrial production declined by 26 percent. Although the statistics clearly exaggerate the amount of the decline, it is nevertheless rather significant.

The budget deficit is still great: In 1994 it will comprise around 9 percent of GNP. On one hand, too much of the

budget funds are being spent on defense and security (7.5 percent of GNP), and on state support of agriculture, the coal industry, and other sectors (6.2 percent of GNP). On the other hand, the income revenues to the federal budget are insufficient (in the first half of the year their relative share in GNP by months fluctuated from 8 to 11 percent).

The so-called nonpayments by enterprises are increasing in an absolute expression, although they are not growing in a relative sense. By the end of the first half of this year, the overdue indebtedness of enterprises to suppliers exceeded by almost four times the monetary funds in their accounts. Enterprises are experiencing prolonged idle times. The main reason for this is the crisis in the sale of their products.

Against a background of a relatively low level of unemployment (1.5 percent of the registered and 6 percent of the actual unemployed persons in relation to the number of the economically active population in June), serious social problems are arising in depressive cities and regions and among certain categories of the population (women of pre-retirement age, certain contingents of the youth).

Despite the complexity of the situation which is arising, it is fully manageable and, as experience has shown, predictable:

- Deregulation and liberalization of the economy have led to a decline in production. Now this decline must be transformed from a general to a structural decline, i.e., it is necessary to take nonviable enterprises out of circulation through procedures of improving economic conditions and bankruptcy. At the same time, it is necessary to actively support effective producers and to stimulate the centers of growth in the economy;
- We have overcome the "upsurge" in prices after their liberation. Now we must consistently reduce inflation, bring the structure of prices closer to the world structure, and correctly regulate prices in the sectors of natural monopolies (electrical power, gas, railroad shipping);
- Having liberalized foreign economic activity, we have been able to achieve a positive foreign trade balance. Today we are faced with the task of preventing the "primitivization" of our export and of ennobling import;
- Following denationalization as a result of voucher privatization, the country must solve the more complex problem of creating effective owners and strategic investors—through the stock market and through the secondary securities market;
- Inflation financing of capital investments has been stopped, and the bank interest rates have become positive. Moreover, a tendency toward their reduction has been noted. Now it is important to create a normal

investment climate in the country, to actively utilize the savings of enterprises and the population for purposes of investment.

It is specifically at this stage of development of the country, which in a certain sense has served as a breakthrough, when the way out of the crisis has been outlined and stabilization, followed by revitalization in the economy, has become a fully realistic goal, that the task of attracting direct foreign investments becomes particularly current. These investments must not only give serious impetus to revitalization of the Russian economy, but must also facilitate its entry into the world economy.

Already today approximately 300,000 new jobs have been created at enterprises through the use of foreign capital. A random sampling shows that on the average the productivity at these enterprises is 1.5-2 times higher than at analogous domestic enterprises. In 1993, against a background of a general production decline in Russia, enterprises operating with foreign capital noted an increase in output of fish products, bread and bakery and sausage goods, and tricot and sewn products. The production of metals, electronic computers, and oil drilling also increased. The relative share of these enterprises in Russian export increased to almost 7 percent.

Nevertheless, the amount of actual direct foreign investments in the Russian economy for the six preceding years reached only \$2.7 billion, while the volume of world export of capital, as we know, was equal to about \$120 billion per year.

Russia lags behind such countries as Poland, Hungary, Czechia, and a number of others by several times in this respect. As of 1 June 1994, only 14,000 enterprises with foreign capital were entered in the state register of Russia, i.e., about the same number as in Estonia.

Many foreign investors believe the investment climate in Russia to be unfavorable due to the political and economic instability, the inadequate legislation, the burdensome tax system, and the undeveloped infrastructure.

Thus, they note the presence in Russia of contradictory and rapidly changing legislative statutes and decrees concerning foreign investments, which are interpreted in different ways and even ignored altogether by individual organizations and local authorities. Foreign investors do not get synonymous answers to such principle questions as the right to ownership of land and the mechanisms of realization of mortgage forms. Moreover, the tax system does not stimulate investment activity.

The shortage of commercial information concerning the market in Russia, the regions and specific enterprises, the transport and telecommunications systems and the legal base also serves as an obstacle in the path of foreign investment in the economy of Russia, especially for small and medium-sized foreign companies and firms.

At the present time, new prospects for the influx of foreign investments into the Russian economy are opening up. With consideration for the real conditions of the world market in capital and the competition between the recipient countries, the annual influx of foreign investments into the Russian Federation may be predicted in the following scope: In 1994—approximately \$1-1.5 billion; in 1995—\$2-3 billion; in 1996—\$5-6 billion; in 1997—\$7-8 billion, and in 1998-2000—\$10-15 billion annually.

The first and most important direction for attracting foreign capital is the assimilation of the untapped scientific-technical potential of Russia with the help of this capital, especially at converted defense industry enterprises.

The second direction is expansion and diversification of the export potential of Russia.

The third direction is the creation of import-replacing types of production and the development of production of consumer goods, foodstuffs, and medicines.

The fourth direction is the sphere of transport and communications and the sectors of the infrastructure.

The fifth direction is aid to the influx of foreign investments to labor-excessive regions (primarily to the Central and Northwestern), and to the eastern regions of the country which have rich natural reserves.

From the standpoint of the problem of an optimal ratio of production investments to investments in the sphere of services, the question of the country's leadership understanding the positions of numerous foreign investments takes on particular significance. In our opinion, it is normal when investment activity in Russia begins with the creation of a company for import and sale of its products on the Russian market. Then, as financial resources are accumulated, they are invested for production purposes. In other words, the foreign investor first formulates the demand for his products and only then, if this demand proves to be stable, invests the funds into creation of the corresponding production. This cannot be overlooked.

Fully specific practical measures are required from the Russian government for improving work with foreign investors—in the sphere of legislation, credit-finance and tax policy, and in the organizational and informational spheres. At the present time, the basic legislative statute regulating the procedure for implementing foreign investments in Russia is the Law "On Foreign Investments in the RSFSR" dated 4 July 1991. Today it no longer reflects the economic realities of the country. Therefore, the government intends to take a number of new actions for attracting foreign investments.

The draft laws "On Changes and Amendments to the Law 'On Foreign Investments in the RSFSR,'" "On Free Economic Zones," and "On Concession Agreements" have been prepared.

These draft laws must reflect such important principles as stability of contract conditions for enterprises with foreign investments, a simplified procedure for movement of capital, the right to manage currency revenues received from the export sale of products of one's own production, and a preferential regimen of economic management for enterprises with foreign investments in free economic zones.

A statute is to be introduced into the Law "On Tax on Profits of Enterprises and Organizations," according to which enterprises with foreign investments are exempted from paying tax on profits by analogy with small enterprises.

The Law "On the Customs Tariff" is to include a statute exempting from payment of customs duties the property brought into the Russian Federation as the contribution of foreign investors to the charter fund (capital) of enterprises with foreign investments within the limits of terms established by the charter documents for their formation, as well as on the import of machines, technological equipment, spare parts, raw goods, materials, complement goods, and semifinished products brought in for the needs of one's own production (work, services).

The question of exempting operations on the issuance and transfer of loans from payment of the value-added tax has already been resolved. The sums of credits in foreign currency obtained by the taxpayers from foreign banks and credit institutions are not subject to taxation under the value-added tax.

Other urgent measures which are envisioned are:

- Preparation for the ministries and departments of the Russian Federation, the organs of state administration of the republics within the make-up of the Russian Federation, krais, oblasts and autonomous okrugs, and the cities of Moscow and St. Petersburg of an explanatory letter dealing with point 1 of the Edict of the President of the Russian Federation dated 27 September 1993, No. 1466 (on nondeterioration of conditions of functioning of foreign enterprises);
- Holding negotiations with interested foreign countries on concluding agreements regarding mutual protection and stimulation of investments. The legislative power must accelerate the process of ratification in the Federal Assembly of the Russian Federation of agreements on stimulation and mutual protection of capital investments with the United States, Great Britain, Greece, and a number of other countries;
- Review of the procedure for accounting for the differences in rate of exchange in realization of agreements on creation of enterprises with foreign capital. This is in reference to the fact that the positive and negative difference in exchange rate on current currency accounts of enterprises is subject to inclusion in the complement of income and expenditures from nonsale operations only in the case of sale of the foreign currency for rubles;

- Preparation of a draft decree on creating a system of insurance and guarantees for direct foreign investments;
- Preparation of a draft edict of the president of the Russian Federation on land use, on the procedure for acquisition and leasing of land areas to foreign investors (with consideration for the developed draft of the Land Code);
- Preparation and submission to the government of the Russian Federation of proposals on the mechanism of using mortgage forms for purposes of attracting foreign capital;
- Preparation and submission to the government of the Russian Federation of proposals on creating in Russia a system of provision of foreign investors with information on Russian legislation, the tax system, investment policy, priorities, specific investment programs, and projects proposed for realization with the participation of foreign investments;
- Preparation of proposals for harmonizing the system of statistical reporting with indicators on enterprises operating with foreign capital.

At the same time, in the long-range plan it is necessary to develop a system of mutually coordinated economic, legal, organizational, and informational measures aimed at creating an attractive investment climate and revitalizing investment activity.

Based on this, the government has assigned the Ministry of Economics of Russia and other interested ministries and departments the task of developing in the fourth quarter of 1994 a Comprehensive Program for Stimulating Domestic and Foreign Investments. Scientific collectives of academic and sectoral institutes will be involved in its preparation.

In this connection, we should also note that a Consultative Council, headed by Chairman of Government of the Russian Federation V.S. Chernomyrdin, was created at the meeting with leaders of foreign firms performing capital investments in the Russian economy, which was held on 27-28 June 1994 in the city of Moscow. The Consultative Council will hold meetings at least twice a year. For ongoing work between the council meetings, three working groups have been created: a group on preparing proposals for improving the investment climate in Russia and the mechanism for interaction of foreign investors with the ministries and departments and organs of executive power of subjects of the Russian Federation; a group on preparing proposals on tax, customs, and currency policy in Russia, and a group on preparing proposals on improving the image of Russia as a country accepting investments.

The creation of the Consultative Council will make it possible to discuss at an international level the problems which influence the investment climate in Russia, and to outline for realization the practical steps which may be

taken to attract foreign investments. The tasks of providing for the activity of the Consultative Council on Foreign Investments in Russia and coordinating the functions of the working groups under the council are charged to the Ministry of Economics of Russia.

Considering the fact that questions of regulating and coordinating the attraction of foreign investments in Russia's economy have up until recently been treated by numerous ministries and departments, which hindered the work of foreign investors in Russia and evoked well-justified complaints, the government of the Russian Federation has adopted the decision to assign the functions on coordinating the activity of the federal organs of executive power of the Russian Federation and the organs of executive power of subjects of the Russian Federation on questions of cooperation with foreign investors to the Ministry of Economics of Russia. This decision will facilitate the practical activity of foreign investors on the territory of the Russian Federation.

For this purpose, the Ministry of Economics of Russia must ensure:

- The systematic development of proposals in the sphere of international finance-investment cooperation, coordinated with other directions of government economic policy;
- The formulation and realization of state policy on attracting foreign investments, as well as the coordination of cooperation in the investment sphere with international finance organizations;
- Work on concluding international agreements on stimulation and mutual protection of capital investments, organization and implementation of international tenders, conclusion of concessions contracts and agreements on the division of production, filling of credits received from international financial organizations and foreign states with specific investment projects, creation of free economic zones, and regulation of the activity of foreign investors in these zones.

For fulfillment of the above-mentioned functions, the following have been created under the Ministry of Economics of Russia:

- The Russian Center for Project Financing and Consultation-Technical Assistance. The center is charged with the task of implementing pre-investment studies, conducting expert evaluations of projects and their accompaniment, and coordinating activity on realization of consultative-technical assistance;
- The Registration Chamber for registering enterprises with foreign capital and performing accreditation of foreign firms and companies.

An Informational Center on Foreign Investments is also being formed for the purpose of creating data banks on specific investment programs and projects, the legislative base, tax system, and investment policy, and for provision of this information to potential foreign investors.

The realization of the indicated measures will facilitate the integration of Russia into the world economic community and the closer mutually beneficial economic cooperation of Russian enterprises with foreign companies.

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Bankruptcy Administration Head on Insolvency Policy

94E1188A Moscow KOMMERSANT in Russian
No 33, 6 Sep 94 pp 6-9

[Interview with Sergey Belyayev, general director of the Federal Administration for Cases of Insolvency (Bankruptcy), by Aleksandr Privalov under the rubric "Official Interview"; place and date not given: "The Federal Cat Is There To Make Sure the Federal Mice Do Not Play. What the Administration for Cases of Insolvency Is Doing Now and What It Will Do in the Future"]

[Text] The activity of the Federal Administration on Cases of Insolvency (Bankruptcy) attracts almost universal interest if for no other reason than because of this department's name (hereinafter we shall sometimes abbreviate it to FUDN—in order to save space and also so that it will not seem so terrible). But so far real information about its activity, as a rule, ends with presenting some significant-looking figures about the number of bankruptcies in Rus up to some recent point in time. And the fact that these figures are hardly ever the same does nothing to clarify the situation.

The general director of the Federal Administration, Sergey Belyayev, has agreed to meet with a KOMMERSANT correspondent to discuss the problems to be resolved by the administration and the first practical experience in resolving these problems.

[Privalov] Are people afraid of you?

[Belyayev] The reason the cat is there is so that the mice will not play.

[Privalov] But I want to understand who should be afraid of you and to what extent. And, if you will, I would begin with what is being said most frequently of all—that all Russian enterprises are bankrupt, and if not all of them than half are keeping going through inertia, and if you were to take your work seriously you would have to declare half of the Russian economy bankrupt. Do you agree with these assessments?

[Belyayev] I do not agree with the idea that all enterprises are bankrupt simply because for us everything is, as it were, special, according to Russian style. Our industry is in a condition that is perhaps not to be found in any other country of the world. And to apply standard bankruptcy procedures that exist throughout the world... One can, of course, say that all those that are bankrupt

are really insolvent. But it is much more important to take up the real work of restoring the bankruptcy procedure in our country.

"Take the law on bankruptcy. Why is it not working?"

Because it contains extremely powerful contradictions: On the one hand, the law is oriented toward state support and on the other—toward elimination of state support.

When considering a case of bankruptcy two outcomes are possible: Either liquidation or reorganization, and the reorganization, as a rule, means by the state. When any creditor goes to court he is interested not in liquidation of the enterprise but rather its reorganization, because when the property is sold through competition it is unlikely that you will get what you have coming. But since the reorganization is oriented toward the state, the creditor does not see any special prospects for himself in it either. This is why the law is not working: The creditor is not motivated to file charges since he can see that he will gain nothing from it. And today I cannot give you an example of real reorganization of an enterprise.

That is precisely why one of our most important tasks is to form a new law. The main thing is for this law to be adopted for a long time to come, that is, when developing it we must take into account not only the transitional nature of our economy but also the possibility of stable application of the law in the future. But it will still finally be oriented toward a market environment and the priority right of the creditors to participate in the reorganization. I will not go into the details of the new law now—that could be the subject of a separate discussion when we present our concept for broad discussion.

[Privalov] As I recall, you recently stated that you will have to develop about 40 documents.

[Belyayev] Yes, the development of all the latest documents should somewhat expand our understanding of existing laws, particularly regarding state enterprises; it should expand and interpret the authority of the FUDN as an organ of state administration and prepare a normative base for the agents that will function in this sphere: creditors, debtors, judges, arbitration and competition managers, etc.

Our task is to form a normative field in such a way that relations between debtors and creditors become civilized and pass normally through the judicial procedure. Or pre-judicial procedures, but still in a particular normative field. But in our country there are very many state enterprises and enterprises in which the state owns certain shares. Our task with respect to these enterprises is to prevent their actual bankruptcy: through self-liquidation, unsupervised transfer of state property to the hands of creditors, etc.

[Privalov] Thus in one way or another the range of your attention covers all economic agents.

[Belyayev] Yes. There is another aspect as well: On behalf of the state the FUDN may act as a creditor with respect to, say, a private joint-stock company if this company is in debt to the state (taxes, deductions into the budget, nonbudget funds, etc.). If these debts cannot be recovered because there is no money in their accounts and it all goes to some unknown place and the tax inspectorate is powerless, then we assume the authority of the creditor on behalf of the state, we go to court, and we collect the debts through the bankruptcy procedure. If possible—through an outside administration, through reorganization; if that is not possible—perhaps even a competition sale, what can you do...

But, I repeat, our most important task is to create a favorable environment for civilized relations between the debtor and the creditor. Only then will it be possible to have true market relations in the country. All this will require, according to our calculations, about 40 normative documents at various levels. An edict from the president, government decrees, directives from the State Committee of the Russian Federation for Management of State Property and the federal administration.

[Privalov] But that cannot be a completely separate area of law. For instance, we are now adopting the Civil Code.

[Belyayev] Naturally, the main document will be a code, so that our normative base and our law on bankruptcy must be included in the concept that is sketched out in the code. But, based on our experience, we do not agree with everything in this draft. Incidentally, work on the code is continuing. We recently determined our positions in conjunction with the High Arbitration Court. This was like the common part of the work we must do.

"A list"—or the First Stage on the Road to Liquidation

[Privalov] The first thing that comes to mind when one hears about your Administration are the famous "lists." What kind of lists are these?

[Belyayev] With respect to state enterprises and in places where a certain block of shares in a joint-stock company belongs to the state, we try to prevent actual bankruptcy. It is necessary to distinguish *actual bankruptcy*, which involves liquidation of the enterprise and sale of the property, from *bankruptcy procedures*, which are aimed at preventing things from reaching the lamentable result of liquidation of the enterprise because of its inviability. But it is unrealistic and irresponsible to speak of liquidation of a large plant which can produce machine tools, even if it has no clients today. There is probably some point in speaking of reorganization of this enterprise, of changing the business, of changing the products, and so forth.

One can speak of liquidation only when an enterprise is absolutely unprofitable—like a mine that is not producing coal or one that has absolutely unbearable working conditions. There are such enterprises, unfortunately. But, as a rule, when speaking about bankruptcy procedures we have in mind everything that *should not lead to liquidation*.

And we have divided our *pre-liquidation* work into two stages. The first stage is the recognition of the insolvency. Insolvency is an assessment of the financial condition, it is like taking a sick person's temperature: to see whether it is in the normal range or if the enterprise is on the brink.

[Privalov] But are you not speaking here about a thorough audit...

[Belyayev] Our position, the credo of the Federal Administration, is that *declaration of insolvency is an automatic operation which does not depend on the will of the bureaucrats* but depends on the financial condition, on the bookkeeping documents. But to be fair one must say that the bookkeeping reports do not always reflect the real situation since they are drawn up locally.... Therefore we obtain an additional confirmation of the report from the tax inspectorate—which does not give us a full guarantee either, but still it insures us against some of the possible mistakes.

Declaration of financial insolvency does not depend on the branch either because financial normatives are the same for all branches. And our task in the first stage is to reveal an accurate picture: how many enterprises, in which branches, and on which territories are actually insolvent according to generally accepted indicators.

[Privalov] And has that first stage been completed?

[Belyayev] This first stage is endless: An enterprise may fall into the zone of insolvency but it can also get out of it. We are considering those enterprises which—according to figures from tax inspectorates, from local organs, and perhaps even from creditors and banks—end up in the sphere of our attention. We have an agency on each territory which works in conjunction with the branch of the Central Bank and the tax inspectorate. They give us this information about the condition of insolvency.

[Privalov] So we are not speaking about an all-encompassing audit—it is just things that come to your attention.

[Belyayev] So far it is mainly whatever comes to our attention. But state enterprises and joint-stock companies with state shares can also "slip through the cracks" this way. We have the materials from the first reports of our agencies. As of 15 August, for example, throughout the country almost 2,000 enterprises had been audited. And since the audit was oriented toward signals of insolvency, it is understandable that more than 1,500 of the enterprises turned out to be insolvent—according to initial data. The agencies began to work and send the enterprises notices of their insolvency.

[Privalov] Does that mean "getting on the list"?

[Belyayev] Yes, that means getting on the list.

Second stage: Still it can be avoided

[Privalov] The list in and of itself has no legal force; it simply gives us the opportunity to know for sure how many enterprises—in terms of numbers, branches, and territories—are in a condition of insolvency.

For each enterprise that gets on the list a special card containing all the necessary information is filled out: the number of workers, products produced, the structure of the debtors. And this aspect is very important: Does the state owe it anything? And does it own anything to the state? Based on this we can begin to prepare a resolution on escaping from the unfavorable financial situation. This is where the second stage begins.

[Privalov] But they are afraid of the first thing, getting on the list.

[Belyayev] Yes, that is unpleasant in and of itself. Mainly because many people—including, incidentally, even highly placed government bureaucrats—confuse insolvency with bankruptcy. And we must finally straighten this out. Anyone can become a debtor: you, I, an enterprise, the state. We are all in a system of certain mutual settlements, everyone owes somebody something, but everyone bears the responsibility to repay the debts. How—that is the question. Therefore the condition of insolvency in and of itself is not a critical point because there are cases where we take enterprises off the list.

Regardless of how it may have been previously, once they receive notice both the enterprise and the corresponding branch ministry will do everything possible as long as they can escape from the crisis. Because *an enterprise's appearance on the list says that the director of the enterprise is not suited for his position*. It is quite probable that he could be fired after that. The procedure of Presidential Edict No. 1114 and many other things start to take effect...

I want to say that this is fair—all other levers of influence on state directors have been exhausted. The state has been left without a mechanism for influencing the enterprises it owns. The entire existing normative base assumes that the state can deal with them as its own. But the moment insolvency is declared—it is all over. That is it! The enterprise's managers do try to leap out of this zone using the most diverse levers.

For example, we declared the NATI tractor institute insolvent. It turns out that the Committee on Machine-Building owed money to it. Naturally, NATI and the Russian Committee on Machine-Building appealed to us: How can this be? We fulfilled the state order.

But if you have fulfilled the state order the state must pay its bills. The Russian Committee on Machine-Building found a way of paying the money for the work performed.

[Privalov] A beautiful ending. But we can hardly count on having it be widespread.

[Belyayev] It also happens the other way. The enterprises begin, to put it simply, to make money on debts owed to them—for instance, for products delivered without prepayment. Ultimately two directors who have concluded such transactions between themselves always reach an agreement.... One will say to the other: Listen, give me this—I am bankrupt. Tomorrow I will not be here and you will not get these products at all. And by minimizing accounts receivable the enterprise has a chance to pay up on his credit and, correspondingly, enter the zone of insolvency. A good mechanism?

There are other versions as well. For example, an enterprise comes with its own business plan and says: Yes, we are insolvent but we have these expectations and possibilities: I ask you, conduct an audit and we will prove it to you.... Analysts have to go to work here.

How else is it possible to escape from a condition of insolvency. One can escape it if the coefficients of insolvency were calculated incorrectly. To put it mildly. For example, it sometimes happens that an enterprise submits its bookkeeping report in which elements are hidden. Say available raw material, certain products, and certain bank accounts are concealed. That is the enterprise *deliberately* puts itself into bankruptcy. In order to avoid this, in the interval between the determination of the insolvency and the adoption of the decision on the fate of the enterprise there should be an independent audit.

[Privalov] But that does not happen now.

[Belyayev] Well, what can I tell you; for example, the agency for bankruptcy in Samara did an audit *at the expense of the debtor*. And it was learned that the present coefficient of current liquidity is three times greater than that given in the bookkeeping report. Of course, one cannot say that this enterprise is financially well off either: Sooner or later with that kind of frozen capital it will become unfit for the market.

One can speak about a whole group of enterprises that are trying to restore their solvency. Suddenly they find forgotten accounts or find certain resources in subsidiary enterprise—that is, they try somehow to protect themselves, to put their structure in order. This is an extremely considerable fact because during the course of our greatest transformations, particularly since 1990, we have received such a mixture of established affiliates, companies, joint ventures, private joint-stock companies, and cooperatives that God only knows how many have gone and where. And this action—declaration of insolvency—still somehow returns to normal condition those who want to return to it.

And what will happen to those who do not avoid it?

[Privalov] In general what is the way out for enterprises that remain on the list? What can happen to them in the future?

[Belyayev] After that the Federal Administration acts on its right to decide the question of insolvency.

The first thing that has to be done is to change the owner. This is like a continuation of privatization but in a somewhat different way from what is provided for in the state program. This involves accelerated sale of the state block of shares, and the block may not be worth anything but the buyer makes a commitment to pay off a certain part of the debt. The same thing pertains fully to state enterprises: The enterprises are sold completely, with the entire property complex. It is important to preserve production and it is important to purge business of debts so that the enterprise can function, and whether the new owner wants to preserve the profile of the products produced or not—that is his business.

[Privalov] As I understand it, there have been no cases like this yet.

[Belyayev] There have been no such cases because Edict No. 1114 did not come out until June. Now we have adopted several decisions on the sale of entire plants and the presale preparations have begun. This is being done by anticrisis managers. Of course, only time will tell how successfully the sale will go, but we are counting on having it bring a more effective owner. The property is transferred to a single proprietor who is independent of the stockholders. And with the new owner, who has settled part of the debts, the corresponding financial institutions will also probably begin to play a role in the investment process. The confidence of the banks, which was undermined by the preceding manager, can be restored. The new person in charge will produce a business plan and show the possibilities.

[Privalov] That is, in any case the previous administration does not have a chance of surviving through this procedure.

[Belyayev] Practically none.

[Privalov] But theoretically is it possible?

[Belyayev] If the director can prove that he is the one who can prepare the enterprise for sale. Then he would abandon the status of director and would work under a contractual agreement; he would be someone hired by us.

[Privalov] But in principle from among whom are these managers selected?

[Belyayev] We have to create an entire system of training of anticrisis arbitration and competition managers. Which we are doing. The first group has already been through training based at the Academy of the National Economy; we studied together with the French. We just completed negotiations today and in October we will begin a new training course with the Germans.

Who will send us candidates? First of all, branch ministries and departments. Second, our local agencies, which are also forming a certain group of people in whom we

are placing our hopes. Third, the banks are giving us the names of people they select: The banks think that by working in these positions these people will know production better and will be able to conduct an appraisal of a business. Fourth, the business structure: Many companies, including production companies, are sending us people for training. That is, they pay for the training, thinking that in the future these people, who will be approved by us and the courts, will work in the interests of the company.

[Privalov] But I have heard nothing about any favorable outcome for enterprises that end up on the list. Could the very fact of being on the list not be a reason for granting credit and certain benefits?

[Belyayev] Government Decree No. 498 came out on 20 May (see KOMMERSANT, No. 20). It established, in particular, the procedure whereby the state grants funds to insolvent enterprises. The enterprises that have ended up on our list—and are banned from privatization—are in need of state support (or restrictions must be removed). In order to clarify which sums are needed and for what, a business plan is drawn up and approved. And the funds can be not only in the form of direct state support but also in the form of granting benefits, removing certain restrictions—and all these elements must be confirmed by the business plan.

But how is it today? People come and say: Give us some money to "augment our working capital." We do not understand such things—for enterprises that are already becoming insolvent.

Our task is to make this decree work, and it is quite probable that we will now take our first step with one of the tungsten mines which is in a state of insolvency and requires state support. And we can see how the mechanism for this support can work through us. The state has an algorithm: Not to allot money to all insolvent enterprises but only those that can become solvent again within the framework of the implementation of the business plan. Of course we will not bother with enterprises that are operating at a loss and cannot be restored.

The entire spectrum of possible solutions is this: transfer the enterprise to the category of state-supported, state support, removal of restrictions on privatization—and sale, liquidation.

[Privalov] But so far no enterprise has followed any one of these paths to the end.

[Belyayev] Of course, none has taken it to the end, although decisions to liquidate have been made regarding several enterprises.

KOMMERSANT. By the end of August the Temporary Commission of the FUDN for Affairs of Debtor Enterprises had adopted decisions concerning 29 enterprises. In eight cases it was stated that solvency had been restored; in three cases the decision was to liquidate; in six cases—sale of a consolidated block of shares; in five cases—sale

of the entire enterprise through competition; and in three cases—sale of assets. There were cases of mandatory privatization and transfer to the arbitration court. Directors were fired in 10 cases.

It is important to emphasize that this is creative work. There are no standard plans as with privatization. Each new enterprise actually implies a new solution. Of our 29 decisions, no two were the same. That is, even now we cannot recommend to an agency that it act according to precedent: In such and such a situation it is necessary to make such and such a decision.

[Privalov] But it is difficult to determine the rules from 29 cases.

[Belyayev] I think that even if we had 299 it would still not be likely that any rules would be outlined because this is purely individual work. Today it is important for the decisions we make to be carried to the end; we must check on how they are being implemented.

[Privalov] Do you have any chance of changing the tradition of the Russian Federation State Committee for Management of State Property? There was not a single case where the Russian Federation State Committee for Management of State Property set a deadline and it was met. Will it be different for you?

[Belyayev] We will try to make it different. We are working with enterprises that are on the brink—the beginning of social conflict, self-liquidation. There was an enterprise, it was functioning, then there were shops—and suddenly, of course, shops collapse and what remains is this real estate. In a year nobody will need it either, and everything comes unglued. Therefore our task is by no means to prolong but, on the contrary, to speed up the implementation of the decision. I cannot say how well we will succeed in that, but we will try.

Let us move on to concrete examples

[Privalov] Let us go back to being "on the brink." Somehow it turns out that enterprises that end up on your list are far from helpless—just take the story of Kristall.

[Belyayev] I will answer that question with another question. Is it possible in any other country for a profitable enterprise to become insolvent. As a rule, no. And in Russia? They can. Either the enterprise is conducting an ill-considered financial policy or there are violations related to product sales and finances and other cases which are not criminal and do not come under the Criminal Code because the devil himself could not figure that out. And here is an enterprise that produces absolutely liquid products—we think vodka is absolutely liquid—and it has debts of about 3 billion. The plant has not created a wholesale network and is working through an intermediary. One can understand why. It is all understandable. But the money is not returned. Naturally, accounts receivable increase every day, and it delivers products without prepayment—and when it

builds a new shop or new production line—while in principle it is not a bad enterprise in terms of profitability—it has to take out credit, thus going into debt. How can we blame the Bryansk Alcohol Plant, which delivers alcohol in good order and to which Kristall owes hundreds of millions of rubles? And it turns out that we still have to take certain measures against enterprises that are far from being bankrupt.

[Privalov] And what would happen if the Bryansk plant filed regular charges against Kristall?

[Belyayev] I do not think anything would have come of it. That is why the Bryansk plant appealed to us for help: After all, it is a state plant, and Kristall is 51 percent state-owned as well. This is the kind of role that has been assigned to the Federal Administration.

Our correspondent telephoned Kristall director Vladimir Yamnikov, who said: "We have received no official claims from the Bryansk alcohol plant. They simply asked us to pay up on our current debts. We checked on it and it turned out that they had asked for R108 million more than they had coming. In any case we settled up with them two weeks ago. Generally speaking, the conflict began when we refused to accept alcohol from them at the higher price. And now we will not work with them at all. As regards insolvency—it is all a matter of taxes."

I am convinced that Kristall will be restored to solvency rather quickly—it already settled with the Bryansk plant last month. But even in this case the actual sanction that can be applied to this plant is to remove the director under Edict No. 1114.

[Privalov] That is a sanction not against the plant but against the administration.

[Belyayev] Naturally! And the plant will operate as it always has. People will continue to use its products as they always have—unless, of course, we handle this in a special way.

[Privalov] How?

[Belyayev] For example, the troubled director will rally the collective and say that now they will all be bankrupt, they will be fired, the plant will be closed down, the machine tools will be sold, and we will lose our jobs. That happens. We have figures from our local territorial agencies showing that enterprise managers are prepared to wage such campaigns among their collectives: You fear bankruptcy because they will throw you out in the street. But in fact it is the other way around. The managers are the ones who should fear bankruptcy because they will indeed be thrown out.

We are forced to take measures against such enterprises in order to clear up this nonpayments crisis so that they will begin to pay one another. And, you see, the first cases show: They are paying—little by little, so far the percentages are negligible. But if they have begun to settle their accounts, we are on the right track.

[Privalov] So you are playing a pedagogical role.

[Belyayev] With regard to admission of insolvency—yes. I would put it this way: It is the role of a teacher with a ruler, which he can use to hit people and sometimes he does—before he kicks them out of class.

[Privalov] They say that the Vladimir tractor plant is on your lists...

[Belyayev] For a long time now. And the plant itself has taken the initiative to verify insolvency because a new director, Iosif Bakaleynik, has been appointed there. We have good relations with him and we are just now considering the possibilities of accelerated sale of a block of shares at an investment competition. He simply took advantage of the mechanism of our authority to "crush" accelerated sales. And to give us a chance to conduct the sale "transparently."

Mr. Bakaleynik, director of the Vladimir tractor plant, in a telephone conversation confirmed to us that the plant itself went to the FUDN. And Mr. Bakaleynik praised the level of the workers of the Federal Administration who came to the plant to analyze the situation. They suggested several solutions for reorganizing the joint-stock company which are now being implemented and promise significant financial advantages.

[Privalov] They are very satisfied with the cooperation with you at the AZLK [Automotive Plant imeni Lenninskiiy Komsomol] as well (see KOMMERSANT, No. 31). What was your position with this plant?

[Belyayev] For AZLK we suggested a plan of accelerated privatization. But because of bureaucratic muddling, a year after the president signed his edict the problem of privatization has not been resolved. The tax inspectorate applied to us to review its financial condition: Indebtedness had increased and so forth. We conducted an audit, met with the plant management, saw the possibility of accelerated privatization through the sale of a controlling block of shares, developed a joint procedure for the sale, and, based on our authority, prepared the corresponding draft edict and sent it to the government and Russian Federation State Committee for Management of State Property. But, unfortunately, there was red tape there too.

[Privalov] That does not quite fit in with what you said just a little while ago: The plant leadership has not been touched in the history of the AZLK...

[Belyayev] Yes, at that time there was no edict on the sale of debtor enterprises, there was just an edict on mandatory privatization. We could not take advantage of authority we did not yet have.

[Privalov] And now you would...

[Belyayev] Now we would use it. Well, and then there is another question: Whoever bought AZLK would not really be buying it the way it is. In fact at AZLK, like ZIL, it is necessary to conduct a thorough reorganization.

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[Text]

Prices for Consumer Goods and Services

The current consumer price index measured 104.0 percent in August, including that for foodstuffs—100.7 percent, nonfood items—105.8 percent, and for-fee services for the population—112.1 percent.

Over the period 24 to 30 August prices for consumer goods rose 0.7 percent. Prices for foodstuffs rose over the week by 0.3 percent, nonfood items—by 1.3 percent, and for-fee services for the population—by 0.6 percent.

The greatest increase in consumer prices over the week was registered in the cities of the North Caucasus region (1.6 percent), and the smallest—in the Northwestern region (0.2 percent).

Indices of prices for consumer goods and services in the consumer market were as follows (as a percentage of the preceding date):

	Total	Including:	
		in organized trade	in nonorganized trade
All food products	100.3	100.6	97.5
including:			
Meat and meat products	101.0	101.1	100.4
Fish and fish products	101.0	100.7	105.8
Edible fats	101.1	101.1	101.4
Milk and milk products	100.2	100.3	99.8
Bread and bakery products	101.3	101.3	100.5
Cereals and macaroni items	101.4	101.4	100.8
Potatoes and fresh produce	94.8	94.7	94.9

In organized trade prices for fish and milk products rose over the week by no more than 1 percent. Prices for bread, bakery items, macaroni items, cereals, and salt increased by 1.3-2.8 percent; sugar and vegetable oil—by 3.6 percent; and flour—by 4.4 percent. Prices for vegetables and fruit continue to decline (2-10 percent).

The overall insignificant increase in prices in August with respect to monitored foodstuffs was the result of a seasonal decline in fresh produce prices (by 20-40 percent). At the same time, prices for flour, vegetable oil, sugar, and salt increased by 17-19 percent; bread and bakery items—by 10 percent; and milk, fish, and meat products—by 2-5 percent.

Since the beginning of the year prices for bread, bakery items, and salt increased by a factor of 2.8-3.5, and those for fish and meat products—by a factor of 1.8-2.2.

	As a percentage of the preceding date			Average daily price rise	
	08/16	08/23	08/30	August	June
Consumer goods and services	100.7	101.0	100.7	0.13	0.17
including:					
foodstuffs	100.0	100.7	100.3	0.00	0.11
nonfood items	101.3	101.0	101.3	0.17	0.13
for-fee services for the population	102.1	102.4	100.6	0.37	0.45

Since the beginning of the year prices for goods and services increased twofold, including those for goods—1.8-fold, and services—4.9-fold.

Foodstuffs.

Over the period 24 to 30 August prices in organized trade rose on average by 0.6 percent, and in nonorganized trade declined by 2.5 percent.

Price changes by main categories of food products over the week are characterized by the following data (in percents):

In nonorganized trade prices for potatoes, cabbage, carrots, beets, and apples declined over the week by 3-11 percent.

Since the beginning of the month prices for fruit and vegetables fell by 25-30 percent, and those for meat and milk products increased by 3.8-4.3 percent.

The cost of the consumer basket of 19 basic foodstuffs increased over the week by 1.2 percent and as of 30 August amounted to R61,600, calculated on a monthly basis. The price differential between monitored cities measured a factor of 5. Magadan (R178,300) and Ulyanovsk (R35,500) remain the cities with the highest and lowest cost of the basket. The cost of the consumer basket in Moscow and St. Petersburg amounted to R70,500 and R65,100 calculated on a monthly basis (ranked 30th and 39th, respectively).

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Since the beginning of the month the cost of the basket in Russia as a whole declined by 1 percent; since the beginning of the year it increased twofold.

Nonfood Items

Over the elapsed week of August prices for nonfood items continued to rise at a moderate rate (0.6-2.0 percent). In some cities (Rostov-na-Donu, Blagoveshchensk, Kursk) prices for fuel sold to the population rose sharply.

Since the beginning of the month, prices for fuel sold to the population rose by 10 percent. Prices for light industry goods and household and cultural goods increased by 3-6 percent.

Over eight months the cost of fuel increased 3.8-fold, and medicines—3.6-fold.

For-Fee Services for the Population

Over the past week of August there were practically no changes in fees for services for the population.

Over the month of August the greatest increase in rates was registered in the housing and municipal services sector: Rents in municipal housing increased by 68

percent, hot water fees—by 29 percent, and electric power—by 19 percent. Fees for consumer services increased by 7-10 percent.

Since the beginning of the year rates for certain categories of housing and municipal services increased 12-17-fold, and fares in rail and city transportation—4.0-6.5-fold. Fees for attendance of day care facilities increased 3.7-fold, and for sanitariums and recreation homes—threefold.

Harvesting Crops

By 29 August of this year grain in Russia had been threshed on 35 percent of the area sown (in 1993 by this time the grain had been threshed on more than half the area sown). Over the elapsed week almost one-quarter more grain was threshed than over the preceding week. The center of the harvest campaign is shifting to the regions on Non-Chernozem zone, the Urals, and Siberia.

A total of 36.7 million tonnes have been threshed, or 20.9 quintals per hectare on average, as compared to 61.4 million tonnes and 22.8 quintals by this time last year.

The progress of grain harvesting in Russia as of 29 August is characterized by the following data:

	1990	1991	1992	1993	1994	Increase over the week	
						current	preceding
Grain crops mowed (not counting corn) million hectares	33.1	41.0	34.2	30.4	20.9	4.1	3.6
As a percentage of area sown	54	69	64	57	42		
Threshed, million hectares	29.4	38.6	31.9	27.0	17.6	3.8	3.0
As a percentage of area sown	48	65	59	50	35		
As a percentage of area mowed	89	94	93	89	84		
Grain threshed (in initial book weight):							
Total, million tonnes	75.4	69.0	69.0	61.4	36.7	6.8	5.6
Quintals per hectare	25.6	17.9	21.7	22.8	20.9		

In a number of territories there is a perceptible gap between the area mowed and threshed. For instance, in Ryazan, Tambov, Penza, and Ulyanovsk Oblasts, Tatarstan, and Altay Kray 56 to 68 percent of the area mowed have been threshed.

A total on 6.0 million tonnes of grain, or 16 percent of all grain collected, were delivered to grain procurement enterprises by the end of August. Grain procurement for federal and regional food stocks amounted to 2.0 million tonnes, and 4.0 million tonnes of grain were accepted from farms into secure storage.

Long-fiber flax was pulled from an area of 46,000 hectares, which comprises about one-third of its planting

area. Green corn was harvested from 1.3 million hectares (18 percent of the area sown).

Winter crops for next year harvest were sown on 4.5 million hectares, and land plowed for spring sowing on 4.1 million hectares; a year ago the figures were 5.4 million and 5.8 million hectares respectively.

Fuel Trade With CIS Countries

In the total export of Russian natural fuels, the share of CIS countries comprised 35 percent and as compared to last year decreased by 7 points; with respect to petroleum products the figures were, respectively, 9 percent and 13 points. Over January-July of this year fuel export to Commonwealth countries amounted to:

	January-July 1994			July 1994 as a Percentage of June 1994
	exported	interstate agreements fulfilled, percents	as a percentage of Janu- ary-July 1993	
Gas, billion cubic meters	46.1	-	90	115
Coal, million tonnes	2.9	-	66	62
Oil, million tonnes	18.0	72	67	134
Automotive gasoline, thousand tonnes	231	10	22	179
Diesel fuel, thousand tonnes	928	30	39	32
Boiler oil, million tonnes	1.0	40	36	62

The lag in fulfilling annual interstate agreements on deliveries of petroleum products is associated, as before, with the arrears on the part of CIS countries in payments to Russia. However, in connection with the harvest campaign shipments of automotive gasoline to

these countries picked up in July of this year as compared to June of this year.

Over seven months of this year the following quantities of Russian fuel were shipped to the main customers:

	Ukraine		Belorussia (Belarus)		Kazakhstan	
	January-July 1994	as a percentage of January-July of 1993	January-July 1994	as a percentage of January-July of 1993	January-July 1994	as a percentage of January-July of 1993
Gas, billion cubic meters	35.2	92	8.7	84	0.4	55
Coal, million tonnes	1.9	108	0.3	45	0.5	33
Oil, million tonnes	8.1	79	5.4	74	2.5	41
Automotive gasoline, thousand tonnes	52.1	15	15.1	144	29.7	5
Diesel fuel, thousand tonnes	489	52	69.5	123	236	25
Boiler oil, thousand tonnes	473	38	228	59	48.1	11

Kazakhstan and Turkmenistan exported fuel to Russia in January-July of this year. Over this period Russian consumers received from Kazakhstan 3 million tonnes of oil (43 percent of last year's level), 15.3 million tonnes of coal (86 percent), and 1.2 billion cubic meters of gas (54 percent); from Turkmenistan—1.2 billion cubic meters of gas (67 percent).

Average Wages in Economic Sectors

The average wages earned by workers in July of this year amounted to R221,000 and increased as compared to last July by a factor of 3.9, and this year's June—by 6.5 percent; prices for consumer goods and services increased, respectively, 4.4-fold and by 5.3 percent. The data on average wages in July of this year are shown below:

	Average monthly wage (not counting financial assistance and social benefits)			
	R thousands	as a percentage of:		
		July 1993 (by factor of)	June 1994	subsistence minimum (by factor of)
Total	221.0	3.9	107	2.1
including: in industry	229.8	3.6	107	2.2
agriculture	109.6	3.3	109	1.1
construction	311.9	3.8	105	3.0
transportation	349.0	4.0	111	3.4
housing and municipal services and nonproduction categories of consumer services	247.3	4.6	110	2.4

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	Average monthly wage (not counting financial assistance and social benefits)			
	R thousands	as a percentage of:		
		July 1993 (by factor of)	June 1994	subsistence minimum (by factor of)
health care, physical culture, and social security	174.7	4.3	108	1.7
education	150.5	4.4	91	1.5
culture and arts	128.4	4.3	97	1.2
science and science-related services	174.4	4.9	108	1.7
credit and insurance	411.5	3.4	105	4.0
administrative organs personnel	335.5	5.3	122	3.2

While wages in Russia increased as a whole, they declined in July as compared to this year's June in the Republics of Kalmykia, Altay, Buryatia, North Ossetia, and Karachay-Cherkessia, and Kamchatka Oblast by 1-6 percent, and in Magadan Oblast—by 9 percent. Consumer prices in the aforementioned territories increased in July by 1 to 11 percent.

The decline of wages in the education, culture, and arts sectors in July as compared to June 1994 is due to mass leave-taking in these sectors.

Payments of a social nature (financial assistance, food, travel, and housing allowances, and so on) amounted to R20,700 per worker in July of this year and declined by 10 percent as compared to June; their decline was registered in practically all economic sectors.

In almost half of the regions in the Russian Federation consumer prices in July of this year rose faster than wages. For instance, in Yakutia this gap measured 9 percent, Udmurtia—7 percent, Maritime Kray—6 percent, Republic of Mari El, Kurgan, Orenburg, Nizhniy Novgorod, Tomsk, and Sakhalin Oblast—5 percent.

	1993	First half of 1994	For reference: construction organizations	
			1993	first half of 1994
Total in Russia	100	100	100	100
including: state-owned	51	44	31	26
leased	2	2	2	2
joint-stock ownership	38	41	61	69

In the first half of this year survey-design work comprised 96 percent of the total volume of work done in-house. The proportion of engineering research remained at the 1993 level and comprised 16 percent.

In 1993 the labor force in survey-design organizations declined by 19 percent (in 1992—by 25 percent). In some regions—for instance, Arkhangelsk, Vladimir, Tver, Tambov, Kamchatka, and Sakhalin Oblasts, Republic of Mordvinia, Chuvash, and Kabardin-Balkaria it declined by 30-39 percent.

Operations of Survey-Design Organizations

The decline in investment activities and cutbacks in the volume of construction resulted in a decline in demand for design work.

As of the beginning of 1994 7,200 organizations functioned on the territory of the Russian Federation, whose main activities were survey, engineering design, and other services for capital construction, and which employed 323,000 persons. In 1993 the total cost of survey-design work, products, and services done in-house amounted to R520 billion; in the first half-year of 1994—R461 billion.

The process of development of new market structures in the field of design is proceeding more slowly than in other economic sectors.

Below are the data on the volume of survey-design work performed in-house by organizations of various organizational and legal forms (as a percentage of the total).

The best-skilled cadres of designers are leaving to pursue other endeavors. One of the causes of this are low wages, which in June of this year amounted to R231,000, and in contractor organizations—R293,000. Because of customers' insolvency, 58 percent of the work performed was paid for in the first half of 1994, and in 1993—63 percent.

This review was prepared using the data of the Russian Federation State Committee on Statistics

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Organized Car Theft Viewed

944F1511A Moscow ROSSIYSKIYE VESTI in Russian
15 Sep 94 p 2

[Article by A. Illarianov: "Motor Vehicle Mafia Under Patronage of Investigator"]

[Text] A large mafia gang of crooks recently celebrated a rather peculiar and somewhat unique achievement—the successful theft of the hundredth motor vehicle. That landmark achievement, however, was marred by a rather unpleasant event in the lives of the organized thieves—they are all now subjects of a criminal proceeding, which is notable both in its scope as well as in its audacity and sophistication.

The thefts were clearly thought out and excellently organized, since they were meant to take place over a long period of time. Allocations by the group of bandits were thoroughly planned and acquired an interregional character: Motor vehicles stolen in Eastern Siberia (Irkutsk, Bratsk, Angarsk, and other cities) were disposed of in Western Siberia. Another detail was also revealed, a prerequisite in such large-scale activities—the participation in this "business" of a militia agent who advised the underground businessmen.

The ordinary citizen is incapable of comprehending how it is possible to steal 100 motor vehicles in a row? The answer is simple: The criminal finds a convenient niche in society and it is then unnecessary for him to use violence attracting general attention. They attempt to "work" surreptitiously. Spotters quietly search for new motor vehicles and the keys to them are obtained from public parking lot guards who are bribed. The thieves take the motor vehicles with lightning speed even in the most crowded locations when their owners leave them unattended for even a brief period. What is most important, however, is that militia investigator N., who was readily bribed with a stolen motor vehicle, served as consultant to the gang. The thieves themselves, by the way, did not keep these motor vehicles for personal use, fearing capture.

After two or three motor vehicles were stolen, the leader of the gang, recidivist Obnovskiy (name changed), telephoned Novosibirsk and some lads were dispatched from there. They stayed in an apartment specially bought for their use. The new arrivals were given forged papers on the cars prepared on stolen blanks, and certified with forged stamps. The vehicle owners were nonexistent people and the couriers were issued a bill of sale in their names. In order to negotiate the danger zone—Irkutsk Oblast—Obnovskiy, with two of his close collaborators, occupied personnel from the State Automobile Inspectorate with superfluous questions, distracting them while the stolen motor vehicles were driven by.

At the Novosibirsk flea market they did not haggle too much in order to increase the turnover. New motor vehicles were sold to buyers with a discount of a million rubles and even more. Helpful personnel from the motor

vehicle stores completed the sales with lightning speed. Only a small number of the stolen motor vehicles remained in the city—most of them were moved on to Almaty, Bishtek, Tashkent, and even China.

The Novosibirsk City Militia Department specializing in motor vehicle theft cases, headed by Major Sergey Asheulov, patiently carried out surveillance over many months, and collected incontrovertible evidence before catching the couriers red-handed. After a thorough analysis of the materials of the preliminary investigation, it was strikingly clear that the Obnovskiy gang seemed to lack the intelligence which, unfortunately, characterizes today's organized crime. Drowning in millions of rubles, the motor vehicle thieves had trouble with details: They did not know how to spend that money. They acquired a couple of the most expensive foreign-made cars each, several garages, apartments, foreign-made sets of furniture, and some Japanese video equipment. They became increasingly fond of drunken binges and narcotics. Unfortunately, that did not alert anyone.

Methods of stealing motor vehicles that were considered reliable by the gang and dependable concealment techniques soon lulled the gang into a sense of false security and invulnerability. Because of that, several old and tested schemes were repeated in each criminal act, which helped Asheulov learn their handwriting and track them with confidence. Most of all the investigator was struck by the ease with which the band gained a buyer's confidence. After all, in the end the purchase of a stolen motor vehicle cost each one of them R10-15 million which they lost.

With all of the significance of what has been accomplished by the law enforcement organs, it is impossible to avoid the following question—why was an interregional theft ring like this not exposed several years ago? Because at that time the interregional stolen motor vehicle computer data bank was not yet operational in Novosibirsk. It was organized just a few months ago. At present it contains data on a quarter million motor vehicles stolen in Russia, the CIS, and several countries of Western Europe. In Novosibirsk Oblast alone personnel of the State Motor Vehicle Inspectorate find up to four stolen motor vehicles every day. Therefore it is worth helping this bank in every possible way both materially and technically, providing it with reliable communication links with posts and patrol vehicles of the State Inspectorate of Motor Vehicles. Then the efficiency with which it operates will further improve.

What is probably a no less important and reliable measure against motor vehicle theft, however, was recently tested in Uzbekistan. A law considerably extending the prison term for such thefts has been passed there. Their number declined immediately by several times. Our current punishment for such theft cannot be regarded as anything but a slap on the wrist for the thieves.

The courts are yet to make an exhaustive study of this unusual criminal offense. But what is most important is that they have to assimilate its lessons.

Access of Foreigners to Insurance Market

944E1206.1 Moscow FINANSY SSSR in Russian No 8, Aug 94 pp 52-55

[Article by M. A. Safronov, president of Vestrosso, under the heading "Insurance: Problems and Experience": "Access by Foreign Insurers to the Russian Insurance Market: Pros and Cons"]

[Text] The author's purpose is not to express the official viewpoint of the All-Russian Insurers' Association [VSS—Vserossiyskiy Soyuz Strakhovshchikov]. The goal is more modest: to summarize and consider arguments which speak both for and against free access to Russia by foreign insurance capital.

The experience of countries with a market economy indicates that sufficient distribution of risk cannot be achieved within national borders and that foreign investors must be brought in either directly or in the role of reinsurers. For Russia, with its astronomical uninsured potential, cooperation with foreign insurers is also essential if the country has indeed selected an economic development model that makes it an equal partner with the leading European states. However, a serious problem arises: our insurance law does not establish a satisfactory legal framework for that kind of cooperation.

In its present form the Russian Federation law "On Insurance" makes provision for reinsurance as one form of insurance. If one strictly follows the letter of the law, the right to accept reinsurance in Russia belongs solely to insurers who have obtained a license from Rosstrakhnadzor [the Russian Federal Service for Oversight of Insurance Activities]. This creates formal difficulties when concluding reinsurance agreements with foreign reinsurers, of which dozens can be included in a single contract. The necessity of each reinsurer obtaining a license makes it impossible to conclude international reinsurance agreements. In actuality that necessity does not exist, because the purpose of licensing in the insurance field is to protect the interests of the insured, who does not have professional knowledge of the field in question. Licensing guarantees to a certain extent that only individuals who will not abuse their professional knowledge to the detriment of the insured will be permitted to engage in insurance operations. In the case of reinsurance, legal relations are established between two professionals who have no need of government protection, and therefore there is no need for licensing of reinsurance activities.

However, one must also consider the fact that reinsurance abroad could result in a substantial outflow of hard currency resources from Russia. In order to prevent that, the insurance oversight agency could establish a number of restrictions. For example, it could be declared that a single reinsurer or a single country could not reinsure more than a specified percentage of a ceding company's obligations. It could be pointed out to potential critics of that restriction that similar regulations do exist even in

the most liberal markets. For instance, Great Britain's legislation does not permit the reinsurance of more than 10 percent of obligations with any single company or more than 25 percent in a single country. Furthermore, the insurance oversight agency could draw up a list of risks which may not be ceded to foreign reinsurance, bearing in mind that the value of foreign reinsurance lies in increasing the capacity of the national market. For example, whereas in cases of insurance of industrial fire risk or maritime vessels distribution of insurance at the international level solves the problem of insurance capacity, the necessity of that kind of distribution for personal insurance or automobile insurance seems more dubious, because balance in those operations can be achieved within national borders.

The greatest attention has focused on foreigners' right to establish insurance companies in Russia.

Around the world two forms of establishment are practiced:

- a. a partial or 100 percent share in authorized capital held by national insurance companies;
- b. opening of branch offices (agencies) of foreign companies which exist abroad.

At the present time Russian legislation permits establishment only in the first form, and moreover limits the percentage of foreign capital in authorized capital to 49 percent.

Some foreign insurers are attempting to portray this as too strict a restriction on foreign share of authorized capital. However, it should be noted that in several well-developed Western markets even lower quotas have been established. For example, in Norway a foreigner may not own more than 15 percent of the capital in an insurance company, and that limit on ownership may be raised to 25 percent only with special permission from the government. Significant restrictions exist in Finland, Argentina and Japan, and even in Switzerland and the United States. Therefore the Russian "51/49" rule should actually be viewed as quite liberal.

However, it seems to us that there is no reason for Russia not to take advantage of the second form of foreign capital participation in the insurance field that is practiced abroad, i.e. the opening of branch offices.

Of course, in that case foreign capital will put pressure on Russian insurers, but will that harm the Russian economy? On the contrary, the opening of foreign branch offices could have positive effects. Experienced companies will bring with them experience accumulated over many decades, will strengthen competition and increase the capacity of our insurance market, and will ensure that a certain amount of hard currency is received to cover their obligations. The only problem is how to make this process manageable, like in other countries. Rosstrakhnadzor should have an absolute right to dole out access by foreign insurers, permitting such access

primarily in areas in which there is a perceived insufficiency of insurance capacity or competition. There is probably no need to issue foreign companies licenses to engage in legally-mandated insurance coverage. In addition, the insurance oversight agency is obligated to take into consideration whether or not the country in question allows Russian insurers to operate within its territory. This would be in keeping with international standards.

Whereas when Russian insurance organizations are licensed the insurance oversight agency is required by law to issue a license within 60 days from the time the license application is received with the required documents appended, the issuance of licenses to foreign branch offices should not be so automatic. When opening a branch office a foreign company should have to deposit a certain amount in Russian banks as a guarantee fund. However, there is really no point in defining the amount of that deposit by law. The insurance oversight agency could in each case arbitrarily define the amount, while naturally giving preference to the one contender among several, equal in all other respects, who is willing to make the largest deposit. This would be in keeping with the procedure that exists in several Western countries, Italy in particular.

However, I would also like to direct attention to the fact that in its present form Russia's insurance legislation only allegedly creates an impenetrable barrier to penetration of our country by foreign direct insurers.

Those who wrote the law obviously assumed that it would be sufficient to forbid operations by unlicensed insurers and the distribution of foreign policies by brokers in order to block all means of foreign insurance within Russian territory. In fact this is not the case.

An unconditional ban on insuring properties in Russia abroad could not be effective in any case. How, for example, could the ban be enforced if the property being insured were a foreign embassy or an industrial enterprise belonging to a multinational corporation and insured under a global policy?

It would probably be appropriate for Russian Federation law to establish not a ban on foreign insurers insuring properties inside Russia, but rather a legal standard under which insurance of properties in Russian territory by foreign insurers not possessing the proper license would not be valid in the Russian Federation. In that case Russian judicial and arbitration authorities could not hear cases based on that insurance.

So what are the pros and cons of changing the "51-49" statute that currently exists in the law?

The pros: firstly, the appearance of first-class world insurers in Russia would eventually help satisfy more fully the demand for insurance from national insurers. Moreover, it is probably not logical to advocate access to foreign investment in Russia in other sectors of the

economy and not permit it in our own. (After all, we are willing to buy Japanese electronics and American aircraft and cigarettes and drive German automobiles, yet we are opposed to selling foreign insurance policies to the public.)

Secondly, a "yes" is supported by the chance to expand the capacity of our national market. That is presently our weakest leak. We are not even in a position to insure medium-size properties, those worth R5-7 billion [rubles].

One example is the fact that KamAZ is insured primarily abroad, and in hard currency at that. Similar situations exist with seagoing vessels and Aeroflot liability. I think that if the foreign parties to these reinsurances had their own companies or branch offices in Russia, the cash drain abroad would be much less.

Thirdly, it is extremely important to obtain advanced know how and innovations and to introduce types of insurance that are new to us (for example, various types of liability; insurance on a mutual basis; etc.), as well as to have an opportunity for ongoing professional growth on the part of the Russian employees of foreign insurers.

Fourthly, it would definitely be a positive thing to attract foreign currency to our country in connection with the opening of branch offices, i.e. in the form of guarantee deposits.

Fifthly, one consequence of liberalization will be to bring the Russian market into a state that is natural for a market economy. Benefits will always be accompanied by inevitable losses. For example, the American company SIGMA in Frankfurt collects only 10 percent of its premium from the American insured; 90 percent of the German risks are transferred directly to the United States. It is possible that local reinsurers are not very happy with that situation, but it seems very unlikely to me that, for example, Munchen Re would be in favor of adding restrictions on that sort of transfer to German legislation. A market economy is a market economy.

Finally, one could expect intensification of the intellectual potential of the market and its social structures (leagues and associations) in the battle against total insurance illiteracy, on the part of state structures as well (taxes, audits, courts, etc.).

Furthermore, letting foreign insurers in would stimulate the creation of a market infrastructure that is still unknown to our national insurers (appraisers, adjusters, recourse agents, legal consultants, auditors, etc.) and will ease entry into Russia by foreign industrial and commercial companies—the foreign insurers' clients. Due to the principle of reciprocity there will be greater opportunities for Russian insurance companies to become established abroad, which will allow them to use policies issued by Russian insurers abroad.

One may also expect more intensive establishment of foreign brokerages in Russia, something that is essential

to ensure greater insurance coverage of property interests in this country, as well as a marked upsurge in competition between insurers, particular in those regions where such competition is absent. In the final analysis this is the primary impetus for progress in market relations.

Incidentally, from the very start this writer's intention was also to examine all the arguments against permitting foreign insurers access to the Russian insurance market. Particularly as those cons are very serious ones. They cannot be ignored when a decision is made in regard to such a fundamental issue, because broad access to will result in a cash flow to foreign countries in the form of profits and reinsurance of premiums. Of course, reasonable administrative and currency-related restrictions could significantly reduce that risk.

Essentially it is insurers' task to provide insurance coverage at the highest possible professional level, yet without assuming functions of financial, banking or currency control over the movement of funds abroad and back again, as envisioned under Belorussian insurance legislation requiring investigation of the legality of the funds used by insurance company founders, or under the "Law on Audits," which includes a right of reporting to the police.

The appearance of foreign insurers will result in an inevitable loss of the best personnel to foreign companies and thus in a noticeable weakening of national insurers (the Russian hockey player effect).

The unreliability of those working in the state's oversight structures renders ineffective any system for regulated access to Russia by foreign insurers, yet that is the only kind of system that is capable of ensuring normal development of our domestic market.

Polls taken among insurers by the Sodruzhestvo [Commonwealth] Association over the past three years indicate a stable trend: there has been a decrease in the percentage favoring free access and an increase in the percentage of those who favor retaining the "51-49" rule. On the last poll, taken in May, of the heads of 70 leading companies only 5 percent of those surveyed were in favor of a complete ban, while 46 percent supported retaining the existing system, 44 percent favored a single system for all companies, including foreign ones, and 5 percent had no opinion.

The opinion of the members of parliament responsible for insurance legislation may be summed up by this "formula": "in favor of lifting restrictions, but only after Russian insurers get on their feet." Today such a vague formulation can only please those who are far removed from urgent practical insurance needs.

The recently-established All-Russian Insurers' Association must also define its stance on this issue and do all that it can to ensure that its viewpoint is reflected in normative legal acts.

My personal opinion on this issue boils down to the fairly general idea that we should not erect an iron curtain around the Russian direct insurance market, but instead introduce civilized standards of international cooperation.

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Measures to Stop Flow of Non-CIS Immigrants to Russia Viewed

944F1579C Moscow ROSSIYSKIYE VESTI in Russian
27 Sep 94 p 2

[Article by Dmitriy Orlov: "Two Million Foreigners Want to be Russians"]

[Text] Since 1989 around half a million foreign citizens from the far abroad have come to Russian territory. Almost a third of them claim refugee status. In distinction from forced immigrants, who wound up in our country from CIS and Baltic states and who have already received Russian citizenship, refugees and persons desiring refugee status come from unstable regions: Somali, Iraq, Iran, Afghanistan, Angola, and from poor Asian countries. Unnoticeable just yesterday, the problem is now acquiring threatening proportions. This motivated the Government to take strong action.

Refugees penetrate the border by various means. Out-right illegals are a negligible fraction. Most immigrants entered Russia quite legally. They had been studying or working in the country, but their term of study or contract expired (Vietnamese are a classical example). They entered on tourist visas, but refused to leave. Finally there are transit passengers who failed to receive a visa allowing them entry into some Western country, and have been "detained" in Russia.

Their presence in the country creates highly complex problems. Because most of the refugees do not register (for a year and a half, Afghans residing in Krasnodar Krai have not submitted petitions to become refugees), they are unable to obtain housing and work. As a consequence they turn to illegal and criminal activity (according to MVD data unregistered refugees control up to two-thirds of the circulation of illegal drugs), and the terminals in which they spend the night are transforming into foul-smelling pits. The Moscow City Committee for Public Health and Epidemiological Oversight notes that most infections spread through the city originate in places of mass accumulation of "illegals" living in Russia.

Complication of the migration problems motivated Russian President Boris Yeltsin to establish the RF Federal Immigration Service back on 14 June 1992. Its tasks include organizing immigration control and determining the status of foreign citizens and persons without citizenship who wish to enter Russia or who are already here. However, in the words of Vladimir Volokh, deputy chief of the Federal Migration Service, it has been extremely difficult to work with refugees from the far

abroad up to the most recent times. The difficulty lies not so much in personnel problems (there are a total of 2,000 persons working for the immigration service today) or financing (in 8 months of 1994, 120 billion rubles of the R545.7 billion planned in the budget have been allocated for solution of all immigration problems). The main problem is the practical absence of regulation over immigration processes. Laws on refugees and forced immigrants contain no specific mechanisms for preventing illegal entry into Russian territory.

In September 1994 the RF Government adopted the decrees "On Approving the Statute on Immigration Control" and "On Measures to Forestall and Reduce Uncontrolled Foreign Immigration," and the Statute on the Procedure for Working With Foreign Citizens Desiring Refugee Status.

Immigration control posts will be opened at 56 of the 334 crossing stations along the Russian border in 1994. They will "plug" the most vulnerable segments of the border to illegal entry into Russia (the border with the Baltic states, the Transcaucasian and Central Asian regions, China, and the largest airports—Sheremetyevo-2, Pulkovo, Yekaterinburg, Irkutsk, Volgograd). Foreign citizens will be subjected to health checks and the reasons behind their wish to enter the country will be clarified at these posts.

From this day forward, foreign citizens desiring refugee status will have to apply to agencies of the Federal Immigration Service immediately upon their arrival in Russia. After this, they will be located in 13 centers for temporary accommodation of immigrants, which are to be established in the border oblasts and in Moscow. The position of local authorities, chiefly the mayor's office in Moscow, is often negative regarding creation of these centers, in contrast to the position of internal affairs agencies. This is understandable: Unoccupied vacation homes, Pioneer camps, and buildings of former military units will have to be hunted up for the immigrants. But is the current situation any better, with 160,000 homeless illegal immigrants just in Moscow and Moscow Oblast, creating public health problems and increasing the crime rate? On the other hand the temporary centers will provide security and elementary comforts to potential refugees.

The procedure for working with immigrants has now been determined as well. Within 5 days of submission of a petition for refugee status, territorial immigration services must reach a decision regarding the individual's registration. Then follows a personal interview, during which a questionnaire is filled out. The immigrant must present evidence of persecution in the country he had left. He is entitled to bring in an interpreter and a lawyer. Issuance of the corresponding certificate granting refugee status may take up to 3 months. Persons failing to receive one and persons who are absent from a center for temporary accommodation for over 48 hours will be deported from Russia.

International experience shows that refugee status is awarded to not more than 10 percent requesting it. Persons deliberately reporting false information about themselves or committing crimes within the country lose this status and are deported by internal affairs agencies. Such rules have now been established in Russia as well.

Rules, Regulations Governing Moscow's Gun Shops Detailed

944F1579B Moscow *SEGODNYA* in Russian 13 Sep 94 p 9

[Article by Anton Kan: "Trading in Weapons—an Expensive Pleasure: An Increase in the Number of Gun Shops is not to be Expected in the Immediate Future"]

[Text] Only 32 shops sell guns in Moscow today. And that's despite the fact that RF Law "On Weapons" and the MVD instructions that went into effect as of 1 July of this year ("On the Procedure for Accounting for, Storing and Filling Out Licenses to Sell and Acquire Service and Civilian Weapons and Their Import Into the Russian Federation and Export From the Russian Federation, and for Utilizing Monetary Resources Received From Issuance of Licenses"), formally "opened" the legal civilian gun market—a giant in its volume.

According to the documents indicated above, any Russian citizen may purchase not only an air gun but also a smoothbore firearm upon observing extremely unburdensome formalities. It goes without saying that upon receiving this right, tens of thousands of our compatriots have raced to the shops to arm themselves. According to data of just the Moscow GUV D [City Internal Affairs Administration], in the last months of 1994 the number of registered weapon units increased by almost 20 times in comparison with that of last year. And there's nothing surprising about this: In order to legally purchase and carry a gun (smoothbore, and holstered), one need only obtain a gun permit from the local MVD subdivision for only a maximum of three minimum wages (just one for an air gun). Of course, a passport, a couple of photographs and health certificate must be presented (persons on record with drug treatment and psychoneurological dispensaries, and equally so, persons with certain physical handicaps preventing normal use of a gun are not allowed to have one), but all of this is really peanuts in comparison with the possibility for carrying your own Walther in a purse or a Winchester on the front seat of your car.

One would think that in this situation, gun shops should grow like mushrooms in the capital and other major Russian cities. Owing to worsening of the crime situation in our country, besides hunters, the number of people prepared to pay (and are paying) big money for any resources of self-defense for their own security and that of their close ones is constantly growing. A thousand dollars for an imported hunting rifle is already thought to be peanuts by many. And although gun sales volumes are growing, the quantity of gun shops is not increasing.

This is in fact just an apparent paradox. If you carefully read some of the standards regulating the operating rules of gun shops, you'll see that it is essentially impossible to open a new shop of this kind today. In Moscow this has been true for a long time: A decree of the Moscow government—No 519, 28 June 1994 (item 4.3)—temporarily prohibited issuance of licenses to open new shops. But if the urge to own a business of this sort is strong enough, such a dreamer wouldn't to badly for a start by acquainting himself with Attachment No 2 to the Instructions on the Work of Internal Affairs Agencies in Monitoring Circulation of Service and Civilian Weapons, titled "Requirements on Equipment of Premises Intended for Storage of Firearms." Saying that these requirements are extremely stiff isn't saying anything. According to the attachment, not only must the premises have gratings on the windows, steel doors, several lines of security and fire alarms, constant contact with the militia and 24-hour professional guards: This document also indicates how many millimeters deep the ends of the rods of the window gratings must be embedded (not less than 80 mm), what the mesh size of steel screens installed over ventilation windows and hatches should be (not more than 100x100 mm), how the steel rods of wall reinforcement metal should be welded together, and what their spacing should be in this case (150x150 mm). After this, information indicating that the steel rods themselves must have a diameter of not less than 15 mm, and wall utility openings must not exceed 200 mm doesn't seem so demanding. The reader will also certainly be surprised that upon talking with the managers of several gun shops, I found that compliance with these norms is scrupulously checked by all kinds of commissions at least twice a month.

In comparison with the requirements imposed on the premises, the 1,000 minimum wages that are needed to buy a license to sell guns no longer seem so great. Though in fact the financial infusions necessary to open and organize a gun sales outlet are not limited to this alone. After all, purchasing the weapons themselves requires several more licenses—to acquire hunting smoothbore firearms, to acquire hunting rifles, and to acquire air guns. In addition one license is needed to sell guns within the republic, and a totally different one is needed to import them. In this case the term of the license is 6 months, and each time payment must be made not for the entire lot but for each barrel. Thus it costs two minimum wages for a license to acquire one smoothbore gun, three minimum wages for a rifle, and one minimum wage for an air gun. Naturally no shops buy just a single weapon either from Russian plants or from abroad. Gun merchants also have to spend a lot, paying all kinds of taxes and customs duties, if they purchase weapons abroad. In sum total, import taxes make up 143 percent of the initial declared value (100 percent customs duty on weapons imported into Russia, plus value-added tax).

Gun merchants also have to pay a pretty penny for transporting the weapons. This problem was especially acute at the dawn of the gun business, when numerous

firms came into being with the sole function of escorting shipments of weapons purchased by gun shop owners from Russian plants. This problem has now lost some of its urgency, inasmuch as businessmen have now acquired some experience in this area.

There is one other expense item that neither the merchants nor other interested organizations like to talk about much. I'm referring to the cost of certifying a weapon. When asked for a specific amount, they all say the same thing: "It's all done by estimate." The fact is that all guns currently sold in shops are initially certified by a special subdivision within the structure of the State Committee for Standards—in the Central Agency for Certifying Service and Civilian Weapons. Certification means testing the article for its correspondence with Russian safety and durability requirements. If a gun being purchased by a shop or a wholesale firm has already been entered into the Russian "List of Certified Civilian Weapons," then the corresponding certificate is simply written out and issued after payment is made in accordance with the cost estimate. But if a certain article is not included in the list, the procedure takes longer, and the price rises significantly. In this case a weapon unfamiliar to the Russian market is imported into Russia by special permit "for the purposes of certification," after which the weapon is subjected to fire testing at a specially equipped range, in the course of which correspondence with Russian standards is determined.

It becomes clear from all of this that the owners of the 32 gun shops in Moscow are people quite out of the ordinary. First of all, they have the so-called seed capital necessary to appropriately equip their premises and pay the rent (most gun shops are in the capital's center). Second, weapons are a rather unique type of goods, and certain knowledge is needed to sell them. After all, the "List of Certified Civilian Weapons" contains 57 names of just domestically produced firearms. Third, all of them have long had firmly established contacts in the "gun world." To be sure, this legal form of business, as is true of many others by the way, is absolutely closed to outsiders, it is divided up clearly, and monitored rather closely. No matter how successful he may be in any other area of business, a businessman, from the Browning Company for example, couldn't hope to get a contract signed for a gun delivery—he wouldn't even get his foot in the door. And in our plants, a person walking in from the street dragging a suitcase-full of money and wishing to buy a lot or two of guns would be most likely be considered to be crazy. The fact that absolutely all of Moscow's gun shops are owned only by former workers of various MVD organizations, by former KGB, and by officers retired from the former Soviet Army is just further confirmation of this. It would be interesting, by the way, to also recall in this connection that the very first gun shop in the capital was opened by none other than the former chief of the Moscow GUVd, Mr. Bogdanov. He is of course retired. However, old ties don't rust in our country—his shop opened in the same building occupied by the GUVd, on "Pete's Street."

Need we be amazed after this that all officials from agencies of the permit system (the MVD structure) managing issuance of gun licenses said in chorus to this SEGODNYA correspondent: "You could hardly open a shop even if you were the richest man in the world"?

Nonetheless, the weapon business continues to attract the attention of business people in Russia not so much due to the volume of the market, as due to its profitability. Five hundred percent profit is hardly rare in this business. Especially for those who are able to work in the market without middlemen. However, all who wish to get rich in the weapon trade can do nothing but haunt the thresholds of various MVD organizations. In Moscow for example, up to the most recent times the question of opening each gun shop has been dealt with personally by the chief of the GUVU.

Swiss Banks to Divulge Data on Russian Criminals' Accounts

944F1579A Moscow SEGODNYA in Russian 13 Sep 94 p 1

[Text] Swiss banks will communicate information on the money deposits of Russian criminals in the presence of a petition for legal assistance submitted by RF law enforcement agencies. This was announced yesterday by Arnold Koller, chief of the Department of Justice and Police of the Swiss Confederation, after a declaration of intent regarding cooperation between the RF Ministry of Justice and the Swiss Federal Department of Justice and Police in rendering legal assistance regarding civil and criminal cases was signed in Moscow.

Goods Producers' Congress Issues Thesis on Economic Situation

944F1535A Moscow NEZAVISIMAYA GAZETA in Russian 13 Sep 94 pp 1, 3

[Thesis on the Situation in the Russian Economy]

[Text] The published thesis was prepared by the working group of the Third Congress of Goods Producers under the guidance of Yuriy Skokov and Sergey Glazyev with the participation of Sergey Burkov, chairman of the Committee on Property, Privatization, and Economic Activity of the State Duma, Doctor of Economic Sciences Oksana Dmitriyeva, chairman of the Budget Subcommittee of the State Duma, and Candidate of Economic Sciences Andrey Belousov, director of the Analytic Subdivision of the Russian Academy of Sciences.

The official statistical data published in the middle of the year formally seem to indicate the appearance of signs of an improvement in the economic situation as compared with the beginning of the year, which, apparently, gave the government the reason to announce the beginning of recovery from the crisis. A halt in the decline in industrial production and its 1- to 2- percent rise per month in recent months are recorded. A reduction in inflation rates in July-August to 5 percent per

month is noted. Attention is drawn to the fact that the population's real income is maintained at the level of 110 to 112 percent as compared with last year.

However, in our opinion, these data not only do not signify any "stabilization" in the economy, but, conversely, mask the beginning of a new phase of the crisis, intensification of the degradation of goods production, and appearance of new threats at the national level.

1. Production "stabilization." Despite government statements, in fact, there is no stabilization in the economy, because the formation of foci of growth in processing sectors, revival of investments, and growth of monetary income in goods production are its mandatory signs. Instead of this, structural depression caused by the suppression of inflation and characterized by the following has been observed in recent months: freezing of production volumes at a critically low level; a sharp deterioration in the financial position of goods producers; preservation of the tendency toward a decline in key sectors of the processing industry, including in the production of investment equipment, household appliances, fabrics, clothing, and footwear. For example, in industry output in comparable values comprises less than 50 percent of 1990, in machine building, less than 40 percent, and in light industry, less than 30 percent. The level of loading of production capacities has dropped to 40 or 45 percent and in machine building, to 30 or 35 percent.

According to forecast evaluations, if present priorities in the government's economic policy remain, in 1995 the decline in production will make up 9 to 10 percent of the gross domestic product.

2. A mass shutdown of enterprises, including of large structure forming production facilities, today remains the key problem. Under conditions of the universal shortage of funds, remaining price disproportions, and overstated interest and currency rates restrictions on demand in no way reflect the real need of the economy for produced resources. Long work stoppages are observed at approximately 5,000 enterprises every month, which exceeds the level at the beginning of last year almost twofold. A number of vitally necessary sectors, that is, agricultural, construction, and road machine building, instrument making, electrical engineering, and production of pipes, plastics, chemical fibers, clothing, footwear, and so forth, have been shut off in the reproduction system. This situation is becoming dangerous, because the deformed structure of the economy resulting from the crisis decline is steadily consolidated through price and financial proportions and through the replacement of domestic goods with imported ones.

Under these conditions in the absence of stable and structurally effective export positions the economy loses the capacity for self-reproduction, which poses a long-term national threat.

3. The financial position of goods producers has deteriorated to a critical level. Owing to the decline in profitability and liquidity provoked by the government's financial policy and the intensification of the tax pressure, after paying taxes no more than 6 or 7 kopecks of profit per ruble of output are left for goods producers, which is insufficient even to maintain simple reproduction. From January until August of this year overdue debts have increased from 63 percent of the gross domestic product to 105-110 percent of the gross domestic product and continue to rise.

4. Bankruptcies. The situation with the potential bankruptcy of enterprises is getting out of the control of both the government and goods producers themselves. According to the level of current liquidity, no less than 70 percent of the industrial enterprises fall under the bankruptcy criterion established by the government. Under these conditions the selection of bankrupt enterprises is becoming a sphere of administrative arbitrariness.

Goods producers are deprived of real tools for organizational transformations and normalization of production. The establishment of financial and industrial groups and other corporative structures capable of ensuring an inflow of investments, preservation of the country's scientific and technical potential, and work places is blocked artificially.

With due regard for the intention of the second stage in privatization and of "selective" (at officials' discretion) bankruptcies there is an increased danger of confrontation in matters of redivision of property and redistribution of the national wealth.

5. Unemployment. According to the data of the State Committee for Statistics, in the middle of the year (June) the number of the unemployed totaled 4.6 million, that is, 6 percent of the active population. By the end of the year it is forecast at the level of 6 to 7 million (8 to 9 percent). With due regard for part-time employment (4 to 5 million people) by the end of the year the number of partly and fully nonworking people will total 10 to 11 million, that is, 14 to 15 percent of the active population.

With due regard for the existing regional differentiation in unemployment in regions of a primarily machine building and textile orientation, as well as in regions with the predominance of town forming enterprises, unemployment can reach 15 to 20 percent and with due regard for part-time employment, up to 25 percent. At the same time, resources of the State Employment Fund make it possible to finance only a 3- to 4-percent unemployment level.

This means that unemployment can turn into a national calamity, the burden of which will lie primarily on industrially developed regions.

6. Loss of the domestic market. For domestic goods production the internal Russian market has already been

lost with respect to many items. In particular, this concerns light industry goods and complex household equipment, the share of the import of which in the 1980's comprised 13 to 15 percent in the trade turnover, reaching 40 percent now. The market of metal processing equipment, the import of which is increasing with the steady decline in its domestic production, is next. The government's export-import policy put domestic goods producers in an obviously disadvantageous position and contributed to the noncompetitiveness of the bulk of products of the domestic processing industry on the domestic market.

Thus, the economic policy being implemented leads to the elimination of work places in our country and stimulation of employment abroad.

7. Loss of scientific and technical potential. The output of high-technology and science-intensive products is declining at outstripping rates in virtually all industrial sectors. For example, whereas in 1991-1993 the production of metal-cutting lathes declined 1.9-fold, of numerically controlled machine tools, 11.9-fold. The replacement of machine building products slowed down sharply. In 1991-1993 the number of newly mastered types of equipment decreased 1.5-fold and of obsolete models phased out of production, 2.2-fold.

The economy quickly and irreversibly loses both the remaining technological reserves and the potential for their creation. These processes undermine the strategic foundations of the future effective modernization of machine building and of the national economy as a whole.

8. Loss of the investment potential. The decline in investments has reached an unprecedented scale. According to the forecast, this year production capital investments will make up about 30 percent of the 1990 level; in machine building, light industry, construction, and agriculture, 10 to 15 percent. Owing to the 4-year investment decline, reserves, in which investments of the preceding 7 or 8 years were made, have been virtually lost.

Right now, owing to underinvesting, losses of the production apparatus (reduction of capacities) in relation to 1990, according to an evaluation, make up about 15 percent, that is, on available capital under the most favorable conditions it is possible to ensure no more than 85 percent of the output of the precrisis level. The remaining part of the capital is degrading rapidly: its wear has risen from 46 percent in 1990 to 52 percent at the beginning of 1994.

In reality, owing to the investment crisis, the economy has been thrown back by more than 10 years.

9. Foreign debt. The country is on the threshold of an uncontrolled growth of the foreign debt, when expenditures on its servicing, for the most part, are covered by new foreign credits. Whereas at the beginning of 1993

the foreign debt totaled 80 billion dollars, by the middle of the current year it approached 85 billion dollars. This occurs despite the significant excess of exports over imports, which in 7 months of 1994 totaled about 10 billion dollars.

Foreign trade has become the basic sphere of plundering and losses of the country's national wealth. According to evaluations, up to 40 percent of the imports and 10 to 12 percent of the exports are not taken sufficiently into account and a large-scale illegal export of currency abroad continues.

10. Formation of the population's income. With the general stabilization of the level of the population's real income its redistribution among social groups is intensifying. The population's income is being formed to an ever greater extent from credit and financial operations, from operations with real estate, and, in general, from mediation and entrepreneurship not connected, as a rule, with the production of goods and services, which does not stimulate economic development. According to the data of the State Committee for Statistics, the share of wages in the population's aggregate income is dropping rapidly: from 67 percent during the first half of last year to 50 percent in the current year.

11. The failure of budget fulfillment has sharply worsened the situation in the economy and has caused an escalation of nonpayments. According to the data of the Ministry of Finance, during the first half a year the receipt of taxes and payments comprised 64 percent of the planned volume, which led to a disruption in the financing of key state programs. The semiannual plan for the financing of the national economy was fulfilled 62 percent, state investments, 64 percent, and science, 68 percent. The delivery of resources to northern regions was disrupted. Financial support for northern territories made up only 44 percent of the planned volume.

It should be noted that the existing practice of drafting and fulfilling the budget is detached from economic realities. Within the framework of this practice the government has become the main insolvent partner and the chief source of escalation of nonpayments.

12. Government actions. Apparently, on the basis of official statistical data the government chose the tactics of departure from the most acutely imminent threats connected with the decline in production and the solution of problems of social guarantees and unemployment. Although the decline in production is the consequence of the government's economic policy, regions and goods producers are forced to fight on their own against the negative social consequences of aggravated financial and production problems—nonpayments, unloaded capacities, dismissal of manpower, and so forth.

It should be stated that at present the government has changed over to the practice of "rush measures," not having an integrated plan for anticrisis actions. Initial

guidelines for economic stabilization in the current year, which were outlined during the drafting of the budget, have become nonexistent: Production will decrease to one-half and capital investments, to one-third of what was expected. Instead of the "investment oriented" maneuver adopted by the government and approved by the president and the Federal Assembly during the adoption of the budget, a gigantic collapse is observed precisely in this economic sphere. The decline in production and investments exceeds even the indicators of the forecast variant of "tough financial policy," which in the report of the Ministry of Economics (March 1993) was described as "unpromising" and "socially unacceptable."

The introduction of bills as a tool of debt regulation is possible only if the reproduction of circulating capital, the credit mechanism, and profitability are normalized. Otherwise, this will lead to the creation of another "financial bubble," emergence of a new sphere of financial speculations, intensification of the danger of mass bankruptcies of enterprises and banks, and a clash between them.

All this devalues the efforts in the drawing up of edicts and decrees on individual problems. The adoption of uncoordinated edicts not based on an integrated plan of actions and not taking into consideration the real situation in the economy only discredits executive power.

Summing up the above stated, we consider it necessary to recall that economic reform began under the slogans of increase in economic efficiency and rise in the people's standard of living and well-being. Pursuing clear goals close to everyone, it won support and understanding for society, which the April 1993 referendum confirmed.

However, the present crisis situation in the economy and the threatening nature of social problems indicate that government actions run counter to society's expectations.

We have often drawn attention to the increase in negative tendencies in the economy, warned about their dangerous social consequences, and offered the government alternative approaches to the solution of problems and methods of realizing them.

Our position is formulated in the decisions of the Second Congress of Russia's Goods producers, in the "Declaration of Rights of Goods Producers in the Russian Federation," in the joint report by Russia's Federation of Goods Producers and the INP [Institute of Petroleum Production] of the Russian Academy of Sciences entitled "Russia's Economy in 1994—Analysis and Forecast," and in the "speech that did not take place" by Sergey Glazyev at the expanded government meeting on 15 July of this year, the text of which was published in the press and in other materials.

A way out of the situation formed in the Russian economy is impossible without the development of a

systems approach to the strategy and tactics of reforming. It should be based on such requirements for the economic policy of the transitional period as:

- maintenance of production at a level critically necessary for its restructuring, renewal, and technical modernization. It is estimated at 50 to 60 percent of the loading of capacities;
- protection of the domestic market with respect to competing imports, primarily machine building products;
- formation of internal financial resources in production sufficient for its renewal; creation of macroeconomic conditions for the growth of profitability and financial accumulations of industry; mobilization of banking resources for investments;
- protection and claiming of investment and scientific-technical potentials;
- formation of institutional investors, primarily large corporations, which have the opportunities for an efficient mobilization of economic resources.

The Third Congress of Russia's Goods Producers forthcoming this month should determine its position on the substance of the problems facing it.

Poll Portrays Various Audiences of TV News Programs

944F1495A Moscow MOSKOVSKIYE NOVOSTI in Russian No 32, 7-14 Aug 94 p 7

[Article by Yuriy Bogomolov: "What 'Physicists' and 'Lyricists' Like to Watch"]

[Text] The Public Opinion Foundation conducted a remarkable sociological study. The object of study was the audience of the three weekly news programs "Itogi," "Voskresenye" and "Namedni."

The fact that all three programs have different images is obvious. Even in the absence of a sociological survey one could guess that "Itogi" has the image of, figuratively speaking, a "physicist" (in view of a certain rationalistic nature of the program), "Voskresenye" has that of a "lyricist" (once again by nature of the genre), and "Namedni" has that of an "ironist" (recalling the psychological and social eccentricity of the program's anchor).

But to what degree are all of these poetic metaphors confirmed by reality?

Where They Live

It is immediately obvious that the television audiences of "Itogi" and "Namedni" chiefly reside in large cities. A third of the "Itogi" audience is made up of Muscovites, while only 3 percent of the capital's residents watch "Voskresenye." This is compared to 27 percent of rural inhabitants. There is of course a qualification that needs

to be made here. "Voskresenye" is broadcast on the same day as "Itogi." Moreover their times overlap. The zones within which both programs are aired differ significantly—they are obviously asymmetrical. But even taking these circumstances into account it must be recognized that the urban countenance of the "physicist" cannot be doubted. As is true of the "ironist." The peasant nature of the "lyricist" is just as obvious.

Educational Census

Here we can see that in the "higher education" category, "Itogi" holds a commanding lead (34 percent), "Namedni" is in second place (24 percent), and "Voskresenye" is in third (22 percent). On the other hand the three "prizewinners" appear as follows in the "primary education" category: "Voskresenye" is ahead (6 percent), followed by "Itogi" (2 percent), and trailing them is "Namedni" (1 percent). The last unexpectedly breaks forward in the audience with a secondary general education. That is, among secondary school and vocational-technical school students. It has 30 percent of the audience, as opposed to "Voskresenye" with 22 percent and "Itogi" with 19.

Priorities

Let's begin with social. Held in esteem among "physicists" are "confidence in tomorrow" (72 percent), "problems with children" (46 percent), "problems with the summer home" (16 percent) and "problems with motor vehicles" (11 percent). The first three places among "lyricists" are occupied by "health" (65 percent), "nutrition, food" (47 percent) and "clothing, footwear" (44 percent). Obviously "physicists" feel better off than "lyricists" in material respects. But they also live in a somewhat different time zone. While the former live for the future, the latter are tied to a greater extent to the present moment.

The circumstance that the "Namedni" television audience team is out in front of the other two teams in regard to the "work" category (its share is 50 percent, while that of "Itogi" is 41 and that of "Voskresenye" is 37) suggests that "ironists" are especially active socially.

Now let's turn attention to philosophical preferences. Judging from the survey data the picture is fully symmetrical. An individualistic frame of mind dominates among "physicists" and "ironists," while paternalistic views dominate among "lyricists." In this case we cannot fail to note that the final score is clearly in favor of individualism. Consequently we have yet another indirect confirmation that the Russian mentality, which is rooted in so-called sobornost [a herd mentality] and which had appeared to be somehow immutable and everlasting, is experiencing noticeable changes before our eyes.

Some Additional Notes

However precise this picture may be, for greater believability it requires some further illumination. From this

standpoint it would be useful to reveal the leisure priorities of the audiences of "Itogi," "Voskresenye" and "Namedni."

The newspaper preferences of the audiences of all three programs are interesting.

For "Itogi" we have ARGUMENTY I FAKTY, MOSKOVSKIY KOMSOMOLETS and MOSKOVSKIYE NOVOSTI. For "Namedni"—KOMSOMOLSKAYA PRAVDA, MOSKOVSKIY KOMSOMOLETS and SPID-INFO. For "Voskresenye"—TRUD.

It can't be said that this is a logical "deal of the cards." As is true of the favorite anchors.

The table below reveals the way the three different audiences feel about television anchors.

Favorite Television Anchors of Viewers of the "Voskresenye" Program

Sorokina	36%
Alekseyev	29%
Mitkova	29%
Kiselev	27%
Komarova	23%

Favorite Television Anchors of Viewers of the "Itogi" Program

Kiselev	50%
Mitkova	41%
Sorokina	35%
Komarova	21%
Alekseyev	13%

Favorite Television Anchors of Viewers of the "Namedni" Program

Mitkova	43%
Kiselev	41%
Sorokina	30%
Parfenov	20%
Osokin	16%

Most interesting here is the competition between Sorokina (the undisputed leader in the "Voskresenye" audience) and Mitkova (holding second place after Kiselev among "physicists"), who took first place among "ironists."

According to all theatrical rules Svetlana Sorokina is a lyrical heroine. Such is her role, corresponding to her natural makeup. The role of Tatyana Mitkova is a vamp—that is, a heroine with an aura of mystery. And finally, there is no way that the division between the sympathies of the "lyricists" on one hand and the "physicists" and "ironists" on the other is random.

Judging from everything, the picture is true. The system of labels "lyricist," "physicist" and "ironist" has assumed a kind of material form, it has in a sense become personified. Now this system will have importance as an indicator by which we can "measure" public frames of mind and the rates of their change.

Stabilizing Railway Economic Difficulties

944E1207A Moscow GUDOK in Russian 23 Sep 94 p 1

[Article by L. Kizilova: "To Stabilize the Economy"]

[Text] In paraphrasing the well-known saying about fools and roads, one can confirm that Russia's economy today has two main problems—non-payments and investments. The president's edicts from the regular bundle, signed last Saturday, were aimed at solving these precise problems.

At a press conference held on 20 September, A. Shokhin, deputy chairman of the Russian Government, said that the approach to solving these problems is systemic in nature. Indeed, at his preceding press conference, last month, A. Shokhin seemingly gave a forewarning of the appearance of these edicts. In particular, mention was made at that time of the need to activate the investment process and the lowering of the state duty for cases being considered in the arbitration courts. Although the drafts of the corresponding laws are being prepared and will be considered after the Duma resumes work, the edicts are aimed at an efficient resolution of the designated problems, as if anticipating somewhat the passing of the laws.

It must be acknowledged that the government has recently been waging a quite consistent and purposeful struggle against non-payments, having realized that this is by no means the problem of individual plant directors (as certain representatives of the power structures confirmed as far back as the spring). Acknowledgement that this was a total misfortune for the Russian economy finally resulted in a number of specific measures—the appropriate government commission was created, and intersectoral agreements on price restriction, etc. were adopted and supported by the authorities. That is, when the diagnosis was made correctly, an effective treatment also began. Here is the next "prescription"—the Edict "On State Duty."

The inefficiency of the judicial mechanism prevented using such devices to undo the non-payment crisis as recovering a debt through the arbitration courts. There was no advantage in resorting to them, since the state duty was 10 percent of the sum of the suit and, naturally, grew with an increase in the sum of the debt. The new Edict, as A. Shokhin said, embodied two basic ideas: a sharp reduction in the amount of the duty and the introduction of a regressive scale.

Indeed, according to the Edict, when the costs of the suit increase, the percentage taken in the form of duty diminishes. Let us note, however, that this percentage is added on to a certain fixed sum: for example, when the cost of the suit is from 10 to 50 million rubles [R], it is R200,000 (plus 4 percent), when the suit costs from R100 to 500 million—3,300,000 (plus 2 percent), and over 1 billion—16,300,000 (plus 0.5 percent). As we can see, the fixed sums are considerable—the state has not hurt itself. All the same, the Edict will unquestionably be

of great positive significance in solving the problem of the non-payments, the sum of which in Russia is already R112 trillion.

The Edict "On Private Investments in the Russian Federation," was passed in order to develop the initiative of private investors and to create a mechanism of comfortable conditions for them. It specifies yearly allotment of capital investments, amounting to 0.5 percent of the gross domestic product, to finance high-efficiency investment projects, prepared with the participation of the commercial structures.

The State will add every fifth ruble to projects which have passed through a competition. Priority is given to projects linked to the development of the economy's "growth point." The recovery period for the project should not exceed two years. Out of the 80 percent of internal and borrowed funds invested by the investor, the proportion of internal funds should constitute at least 20 percent.

Upon the selection of the investor who has won the competition for the project, one of the forms of state participation in the financial support is granted: the Central Bank grants credit (for a period of not over 24 months) at the "Libor" rate, plus 1-7 percent (depending on the innovative nature of the project), or "state investment resources are offered, on condition that part of the shares of the joint-stockholding company created are allotted for state ownership." Unfortunately, the edict does not specifically stipulate the amount of the investment resources and the part of the shares.

It is gratifying that, even under the conditions of the serious financial situation, the state is seeking possibilities of supporting private investors. It is also gratifying that the state has, finally, questioned the power of the official over the businessman: A. Shokhin stated that the role of the official in evaluating the priority of projects should be reduced. In itself, this sounds symptomatic, just as the state's intention to create, in order to draw in the savings of the people, "more attractive schemes" than, for example, those created by the MMM Joint Stock Company, or RDS. This statement of the problem indicates, in the first place, acknowledgement of the advantages of the designated firms over the state in the matter of drawing in the investments of the people. In the second place, the state, having become aware of its present-day defeat on the stock market, is striving to get back what it has lost, which is also gratifying. Perhaps the mixture of emphases, already mentioned in passing, will find clearer reflection in the drafts of the corresponding laws that have been prepared.

The third Edict in the bundle is "On the Development of Financial Leasing in Investment Activity." It is aimed at supporting small-scale and medium-scale business. The Edict establishes the framework in which the leasing functions will operate.

Railway Economic Difficulties Highlighted

944E1207B Moscow GUDOK in Russian 23 Sep 94 p 2

[Article by N. Davydov: "The Agreement Is More Expensive Than the Debt"]

[Text] All the mass information media endlessly sound off about the non-payments which are putting the economy of Russia and the rest of the CIS countries into a fever. A few pro-market publications have already come to the point of alleging that the non-payment crisis is artificially supported by a few dozen large enterprises. The aim of these publications is to divert attention from the sources of this phenomenon, that is, from the "zavlaboiskiye" methods of carrying out the so-called reforms, even under the conditions of the break-up of the unified economic area on the territory of the former USSR. Given the stunning inflation of prices for energy-carriers, without any sort of control and regulation on the part of the state, insolvency simply could not help but have arisen. Especially when prices for raw materials have really come up to world prices.

Railroad transport, as a monopolist-carrier for many types of industrial and agricultural products, has naturally found itself drawn into the non-payment crisis. The constant rise in prices for the products which it uses is forcing an indexing of the freight transport tariff, and settlements with the clientele, under the conditions of the banking system paralysis, are being made with tremendous effort. The head-spinning evolution of the sector's financial situation which has taken place in the last two years is a totally real threat of bankruptcy, even though the roads are attempting to get out of this by getting products from the insolvent clients instead of money.

But how are things going with wages, taxes and the updating of the means of transport? We need "live" money for these purposes. Not to mention the fact that the sector's social base must be supported in some way. Under the conditions of the continuing production slump and the financial failure of a considerable part of the producers, no hope remains for a natural resolution of the non-payment crisis.

That is why the MPS has come out with an initiative on coordinating the actions of the basic sectors of industry and railroad transport, above all in the sense of mutually limiting the rise in prices and tariffs for the products being supplied and the services rendered. The first specific step in this direction was the signing, in July, of a trilateral agreement between the coal workers, power engineers and railroad workers on mutual supply, which made it possible in July-August to increase the delivery of coal to the electric power plants of the Far East by almost 70 percent.

Coordinating actions to surmount the non-payment problems, however, requires a considerable expansion of the group of producers who carry out the price policy in accordance with unified rules. In August, therefore, the

MPS, the Ministry of Fuel and Energy, Goskommetallurgiya, Russian YeES RAO and the Rosugol GP signed a General Agreement on Joint Action To Stabilize Prices and Reduce Mutual Non-Payments. In particular, it was specified that they would come to an agreement on stabilizing prices and tariffs for mutually supplied products and services, and on approved indexing of prices and tariffs. This will make it possible to reduce the rates of price increase in the basic sectors, avoid unilateral profit and ensure mutual price control.

In addition, the agreement directs its participants toward curtailing mutual indebtedness and reducing non-payments by using promissory-note circulation and mutual exchange of products and services. This is particularly important now, under the conditions of preparing the services for work under winter conditions. After all, the movement of settlements with the budget (thanks to promissory notes) and the lessening of demands for working capital of the parties coming to an agreement will make it possible to improve clearing operations and to increase the supply of fuel-energy resources and metallurgy products, thus giving the most active preparation for winter.

Finally, the agreement makes it possible to stimulate the export of products through cutting costs for their transport and sale, as well as fair distribution of profit among all the participants.

In order to carry out this general agreement among the sectors, a regional agreement was signed on 1 September in Kemerovo, between the MPS, the Kemerovo Railroad and a number of Kuzbass coal extracting and enriching enterprises and metallurgical enterprises. It specifies the mechanism and principles for supplying products and offering services at stable (reduced) prices and tariffs, and the procedure for mutual settlements.

In particular, the enterprises of the Kuzbass coal industry will ensure the supply of coking coal to metallurgical combines in the amount stipulated, and the MPS grants the coal workers a discount from the existing tariff (allowing for indexing). The metallurgical combines, in turn, make the appropriate reduction in the prices for metal products for the railroads. The settlements for the transport of coal are made at the station of destination, guaranteed by the metallurgical combines.

For the coal workers, therefore, stabilization (reduction) of prices for coal makes it possible to reduce the costs of export transport. This means that there may be a revival of their export potential or a reduction of the price for supplying coal to the enriching mills. The main thing is not to increase the debt to the railroads, since the settlements for coal transport will be made at the station of destination.

The metallurgists, having reduced the prices for their products through reducing the costs to purchase and transport coal, will be able to raise their competitiveness on the domestic and foreign markets.

As for the railroad workers, they will be able to obtain metal products at lower prices because of the reduction in tariffs for transporting coal.

All the participants in the agreement will probably succeed in cutting production costs through using products (services) at lower prices (tariffs), and in reducing the debtor indebtedness. At the same time, the number of those taking part in the offset will be reduced from four (the roads of dispatch and destination, the suppliers and the consumers) to two—the road of destination and the consignee. This will accelerate the carrying out of the mutual offsets and increase the reliability of the accounting.

A similar mechanism and principle of settlement are also specified when coal is supplied to power engineers.

The fact that an agreement has been reached between the MPS and the coal industry enterprises on supplies until the end of the year, for railroad needs, of over 800,000 tonnes of coal to clear their debtor indebtedness is also quite important. The MPS will offer a discount on the amount of the difference in price to these enterprises when they transport coal for export. The participants in the agreement have thus confirmed the principles of equal advantage in obtaining profit, including that from the sale of the exported products.

The most important thing, however, is the fact that this cartel agreement, a major one even by Western standards, specifies the coordinated action of its participants with respect to indexing prices (tariffs) for mutually supplied products (services), that is, those ensuring the compensational nature of their use. Moreover, all the participants have taken on the commitment of creating favorable conditions for the normal functioning of the enterprises through reducing the debtor indebtedness, smooth transfer of railcars, supply of electric power and delivery of coal.

On 9 September, the RF government approved, by its decree, the initiative of the participants in the General Agreement and obliged the federal executive organs, as well as the executive organs of the constituents of the Federation, to support the enterprises which were engaging in joint action within the framework of this agreement. This important document instructs the Ministry of Finance to provide the signatories with quite substantial tax benefits. In addition, they are permitted to sell each other products (services) at prices and tariffs below production cost.

In the opinion of experts, the freezing or even temporary checking of prices in basic sectors such as petroleum, coal, power, metallurgy and the MPS, can ensure a noticeable reduction in the rates of inflation. After all, they form up to 40 percent of the gross national product (GNP). The possibility is not ruled out that this will also entail a reduction in inflation of costs. As a result, these factors may substantially improve the investment climate.

If one takes into consideration the fact that the overdue creditor indebtedness of the enterprises of the basic sectors is close to 60 percent of the all-Russian total, and the basic sectors also account for two-thirds of the total debtor indebtedness, the mutual offsetting for this group of enterprises may become the necessary condition for solving the problem of non-payment on a country-wide scale. The possibility is not ruled out that strict execution of the agreement will make it possible to slow down the rise in prices for the products of the base sectors issued to other consumers.

It is also essential that, apart from the direct saving from reducing prices for the products supplied to each other, the enterprises gain the possibility of saving on tax deductions, in particular, on VAT. They can certainly make up for what is lost on mutual supplies by supplying products to the rest of the consumers. The total economic effect from carrying out the agreement for the

MPS can stretch to a trillion rubles, which will prove to be removed from the sector's debt.

In order for the General Agreement to work in earnest, its development, just as in Kemerovo, must include specific agreements between the supplying enterprises, the consumers and the railroads. They should specifically define the volume of supply and transport, with the prices and tariffs approved on a compensation basis. This is what virtually all the mainlines are working on right now.

Despite the fact that all this work is still only in the developmental phase, in the first ten-day period of September, for the first time in the last two years, the debts of the clients to the railroads have been somewhat reduced. The main thing is that both the one and the other have actually felt the reality of the joint actions. Now the thing is to include the maximum possible number of enterprises in specific work to carry out the agreements and decrees of the government.

POLITICAL AFFAIRS**Edict Relieves Nationality Admin Chief of Duty***944K2384B Simferopol KRYMSKAYA GAZETA
in Russian 22 Sep 94 p 1*

[Crimean Republic Presidential Edict No 95/94 issued by President Yu. Meshkov in Simferopol on 29 August: "On Relieving Chief of Legal Administration of Crimean State Committee on Nationalities of His Duties"]

[Text] I hereby decree that:

1. Ibragim Romanovich Chitakov, chief of the Legal Administration of the Crimean State Committee on Nationalities, will cease to perform his duties.

2. The edict will go into force at the time it is signed.

[Signed] Yu. Meshkov, President of Crimean Republic Simferopol,
29 August 1994
No 95/94

Edict Relieves Nationalities Deputy of Duty*944K2384A Simferopol KRYMSKAYA GAZETA
in Russian 22 Sep 94 p 1*

[Crimean Republic Presidential Edict No 94/94 issued by President Yu. Meshkov in Simferopol on 29 August: "On Relieving Deputy Chairman of Crimean State Committee on Nationalities of His Duties"]

[Text] I hereby decree that:

1. Deputy Chairman Osman Kurtseitovich Adamanov of the Crimean State Committee on Nationalities will cease to perform his duties.

2. The edict will go into force at the time it is signed.

[Signed] Yu. Meshkov, President of Crimean Republic Simferopol,
29 August 1994
No 94/94

Supplemental Edict on Currency Regulation*944K2383B Simferopol KRYMSKAYA GAZETA
in Russian 22 Sep 94 p 1*

[Supplemental Edict No 128/94 to Crimean Republic Presidential Edict No 37/94 of 11 April 1994 issued by President Yu. Meshkov in Simferopol on 19 September: "On Currency Regulation and Currency Control"]

[Text] In connection with the distinctive features of the economic operations of sea ports within the Crimean Republic,

I hereby decree that:

1. The following words will be added to Subsection 4 of Crimean Republic Presidential Edict No 37/94 of 11 April 1994 on Currency Regulation and Currency Control:

—Residents' receipts in foreign currency subject to transfer from abroad for the use of trade and fishing ports will be restricted for a term of 180 calendar days.

2. The edict will go into force on the date it is signed.

[Signed] Yu. Meshkov, President of Crimean Republic Simferopol,
19 September 1994
No 128/94

Crimeans Polled on Standard of Living*944K2383A Simferopol KRYMSKAYA GAZETA
in Russian 22 Sep 94 p 1*

[Unattributed article: "A Hard Life"]

[Text] Several sociological surveys have been conducted in Crimea. The following responses are the most intriguing. When Crimeans were asked how far their family income went, 32.7 percent said there were many things they could not afford, including some foods and some essentials; 22.3 percent said they had enough money for food if they economized in all other areas; 12.8 percent said there was enough money for food but they had difficulty buying more expensive items; 3.2 percent said they might be able to afford expensive items like television sets, refrigerators, and furniture; and 0.4 percent had enough to live on and could make new purchases.

When Crimeans were asked whether they planned to seek additional sources of personal income, 3.1 percent said this was unnecessary; 27.2 percent said it was impossible; 37.6 percent said they might; 21 percent said they definitely would; and the rest were undecided.

Around 24.1 percent of the respondents associated the improvement of their own financial status with assistance from the state; 23.9 percent said their status would depend on the improvement of work at the enterprises employing them; 6.8 percent were counting on the help of relatives and friends; 20.1 percent were relying on luck and the right set of circumstances; and 25.1 percent had certain projects in mind and were planning to start their own business.

The Crimeans have high hopes for the improvement of the peninsula economy as a result of the relaxation of economic restrictions and the extensive attraction of investments.

ECONOMIC AFFAIRS**Kuchma Advisor Views Economic Questions***944K2342A Kiev UKRAYINA MOLODA in Ukrainian
13 Sep 94 p 3*

[Interview with Volodymyr Kuznyetsov, head of the administration for economic affairs in the president's

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administration, by Iryna Chemerys under the rubric "One of the Team"; place and date not given: "Volodymyr Kuznyetsov: 'As Much More Government As Possible Where Necessary and As Little As Possible Where Possible' "

[Text] The current head of the administration [upravlinnya], for economic affairs in the president's administration [administratsiya] Volodymyr Kuznyetsov, was born in 1960 in the city of Stavropol. He graduated from Dnipropetrovsk State University and obtained a graduate degree from Moscow State University, where he studied with Shatalin. His indirect acquaintance with Leonid Kuchma began when, as a docent at Dnipropetrovsk University, he and a group of colleagues conducted a study at the Pivdenmash Plant and drew up recommendations on conversion for the world's largest missile-building plant.

Later, when Leonid Kuchma became prime minister, Volodymyr Kuznyetsov served three months as his advisor for economic affairs. Following Leonid Danylovykh's departure, he remained on the staff of the Cabinet of Ministers, in the economic administration. He took part in the future president's election campaign. He is known for having developed a model that predicted the results of the voting with a 0.3% margin of error.

[Chemerys] Volodymyr Oleksiyovych, in addition to the administration for economic affairs that you head, the president's administration also includes an advisor on macroeconomics. The Cabinet of Ministers, too, has a similar administration [to yours]. Does this arrangement not result in parallelism in the work of these organs of executive power? Is there at least a clear separation of their functions?

[Kuznyetsov] I do not think that there is the kind of parallelism you are referring to inside the administration. Too many economic problems have piled up, and we cannot afford the luxury of dealing with the same issues in several subdivisions. The job of advisors is more global and entails long-range studies and programs. Our administration on the other hand, concerns itself with urgent organizational-economic issues. In dealing with these matters, it is not our purpose to supplant the apparatus of the Cabinet of Ministers, and I am quite certain that there will be no differences between us with respect to organizational questions.

That there will obviously be differences in the substance and our approaches to finding solutions for these and other problems is another matter. But this is understandable. If you were to compare these two structures to a carburetor and an engine, the administration would be the carburetor, which sets the operating regime, while the Cabinet of Ministers would be the engine, which sucks in the president's instructions. It is the president who has the greatest degree of legitimacy, and therefore his edicts, which are prepared by the different administrations are the principal means of influencing the socio-economic process.

[Chemerys] Volodymyr Oleksiyovych, are you in favor of writing a reform program and implementing it from "a" to "z," or do you envisage the trial-and-error method?

[Kuznyetsov] The successful execution of economic reforms entails four basic principles: price liberalization, reducing the budget deficit, liberalizing foreign economic activity, and reforming property ownership. With respect to privatization, there is simply no existing theory. There is only the experience of this or that country, which may or may not suit our mentality and which, furthermore, may or may not be implemented. As a result, this will indeed be a path of trial and error.

We can move ahead within the framework of general conceptions of reform as quickly as our reserves of strength allow us, inasmuch as the measures we have to apply to effect changes produce social tensions by their very nature. The time for finding good solutions is long past; all we are left with are bad and very bad solutions. It is among these that we are now forced to choose.

I am opposed to reforms that are carried out in their entirety at the cost of lowering the living standard, and I believe that the state must assume the burden of the larger share of reform. But the state is very slow in giving up its property and other attributes, which, unfortunately, leaves only the living standard. What we can do in this sphere is very limited, and we can therefore move only as fast as the people permit us to move.

Nevertheless, I believe that Ukraine, more than any other state with the exception, perhaps, of the Baltic countries, is ready to accept market reforms. That the previous government was not ready to do so is another matter. I once said to Leonid Danylovykh: "If you talk like the former president: 'Give me what you want me to sign and I'll sign it,' I will leave, because I will regard my job as undoable." Right now there are very many projects that need to be realized.

[Chemerys] You can obviously answer another question from the history of our state: "What are we building?"

[Kuznyetsov] My response is the traditional one: proceeding in reverse, we are not building what we were building up to now. We are building a socially oriented market economy based on the principle: as much more government as possible where necessary and as little as possible where possible.

What should we begin with? I am convinced that we must begin with a stable currency. Only if every economic entity and every consumer receives such money will they vote with this money for this or that product or service.

By the way, you probably know that it has been four years since the second article of our constitution, entitled "The Economic System of the State," was rescinded. This article has been removed but nothing has been written to take its place.

[Chemerys] Still, even though nothing has been written up to now, the building has begun. Clearly, there is no sense in arguing about what should come first: financial stabilization or privatization. But now that you have begun with the financial market, tell me honestly how you plan to stop the panic on this market that seems inevitable when trading on the currency exchange is resumed.

[Kuznyetsov] A certain degree of financial stability has been achieved, and a 2.1% inflation rate in July is a record for the CIS. If we had corresponding changes in the structure of ownership (95% of all property in Ukraine is state-owned as compared with Russia, where the state owns only 30%), we would be close to what is called an "irreversible process." And even though this stabilization has been achieved "with a great loss of blood," as they say, its results can be dissipated insofar as there is no second and third wave of measures to reinforce what has been accomplished.

As to changes in foreign exchange controls, let me remind you that a key element in conducting reforms is liberalization, including that of the price of foreign currency. Apropos panic, we have a certain reserve of strength in this respect.

[Chemerys] Do you mean the National Bank's foreign currency reserves?

[Kuznyetsov] Among other things, although these reserves are not large enough to last a long time. But we have promises, and shortly we expect guarantees from the IMF that we will receive a stabilization fund for our national monetary unit. I believe that a currency market will emerge and that we will even see a tendency on the part of rates to draw closer together. And the official rate catching up with the market rate will not be the only thing that happens if we succeed in curbing credit flows.

The question that everyone is asking today is how much foreign exchange will the state be able to put on the currency market and at what rate will it sell? In response to which I always ask: and how much can we buy? Every family buys dollars for the purpose of saving its money, but most of our daily spending is done in karbovantsi.

[Chemerys] Volodymyr Oleksiyovych, the problem of Ukraine's debt for Russian gas and oil has recently grown more acute. Given the current economic situation, is there a solution?

[Kuznyetsov] This is an extremely serious problem. Over the last year, our debt to Russia has grown to 2.5 billion dollars. This is a huge sum, even though Russia's foreign debt amounts to 80 billion dollars. But the situation with respect to our balance of payments has generally grown much worse. We are now in debt not to six but to eight CIS members. And so, apropos our debts—we are not outside the sphere of Russia's political interests (the Black Sea Fleet, etc.). We are therefore forced to make decisions under economic dictate. So far, this dictate has

been quite mild. We ask Russia to allow us to postpone repaying our debts for a while and not apply extreme measures. Russia's attitude is understanding, but no one there is willing to work at a loss these days. The Russian government is demanding that the debts run up by the Ukrainian enterprises to the Russian joint stock company Gazprom be added to our foreign debt. And we, obviously, have to agree to this.

[Chemerys] But will we not have to pay for this with political concessions?

[Kuznyetsov] We certainly will. Such steps will be necessary if we want to continue consuming as much as we do now. If we want to avoid making political concessions, we will have to tighten our belts more, which will lower the people's living standard. It is hard to decide which is better. The president of Belarus has already called Russia the elder brother, inasmuch as Belarus, like Ukraine, is dependent on Russia. I think that there will be no serious political concessions.

The main thing is to begin with a clean slate and not run up new debts.

[Chemerys] Volodymyr Oleksiyovych, the package of documents that is being prepared for signing at the meeting of the Ukrainian and Russian residents includes an agreement on financial-industrial groups and transnational corporations. Does this mean that we will be forming joint financial-industrial groups with Russia?

[Kuznyetsov] I believe that our legislation relating to the creation of financial-industrial groups will be brought into harmony with Russia's. The main thing we hope to achieve with the help of financial-industrial groups is to reduce the costs that result when goods cross the border several times before they are ready to be marketed, as well to reduce the cost of taxes.

[Chemerys] Please give us an example of a financial-industrial group that might be formed jointly with Russian businessmen.

[Kuznyetsov] There are several Russian and Ukrainian plants that lost their world markets because they quarreled inside the CIS. A classic example is the Mykolayiv alumina plant and a number of aluminum combines in Siberia. We cannot function in this way. Economic interests must take precedence over political ones.

[Chemerys] Are you not concerned that in the event that joint financial-industrial groups are formed, finding Ukrainian capital for them will pose a problem?

[Kuznyetsov] This is indeed a serious problem, because our banks are dwarfs in comparison with Russian banks and even tinier dwarfs when compared with the capital of industrial corporations. But perhaps it will be possible for several enterprises to join together to create a financial structure to serve them.

[Chemerys] Is there a danger that we are on the threshold of an expansion of Russian capital?

[Kuznyetsov] This danger does exist, and we must do everything we can to ensure that the expansion of Ukrainian capital in Russia is equally robust. After all, we have interests there as well. The most important thing is to make our monetary unit as attractive as the Russian ruble.

Kuchma Meets With Donbass Mine Leadership

944K2393A Donetsk VECHERNIY DONETSK
in Russian 23 Sep 94 p 1

[Article by V. Kovalenko, UKRINFORM: "The Branch's Problems Are the Country's Problems. Ukraine President Leonid Kuchma Meets With Leaders of Coal Associations"]

[Text] "It is embarrassing to admit that even though Ukraine has reserves of coal it has been forced to buy it from Russia, Poland, and Turkey," said Ukraine President Leonid Kuchma in a meeting with leaders of the largest coal mining associations of the Donbass. "But it turns out that it is more advantageous to buy it from our neighbors than to mine it ourselves."

At the request of the chairman of the Lugansk Oblast Council of People's Deputies, Petr Kupin, this meeting took place on 19 September in Kiev. During the course of the meeting—in which Deputy Prime Minister of Ukraine Anatoliy Dyuba, Chairman of the State Committee on the Coal Industry Nikolay Surgay, and workers of the administration of the president of Ukraine also participated—questions of the branch's socioeconomic condition were discussed. Petr Kupin appealed to the president of Ukraine to take resolute measures to allot subsidies to coal miners in the form of preferential credit. Other proposals from the miners were also considered and discussed and ways of rectifying the difficult situation in the branch were worked out. As Leonid Kuchma emphasized, the outcome will depend largely on skillful leadership of the branch and each individual enterprise.

Miners Approve Donbass Economic Reform

944K2393B Donetsk DONBASS in Russian 23 Sep 94
p 1

[Article by Mikhail Yermakov: "Miners Give OK to Reforms"]

[Text] A couple of days ago in Donetsk there was a meeting of leaders of trade union and strike committees of coal enterprises of the oblast with the chairman of the oblast council, Vladimir Shcherban. Although emotional, the conversation was filled with content. The chairman of the oblast council wanted to clarify the attitude of the most powerful and organized working class—the miners—toward the reforms.

It turned out that not all the miners liked the changes in the economy and some would not be averse to returning to the good old days when the coal branch, although it

was not rolling in clover, was not impoverished as it is today. Therefore also heard at the meeting were such opinions as that first there should be social protection and then liberalization of prices; that during the so-called years of perestroyka our region had gone through more than one reform and the people no longer believe the promises, no matter who makes them.

But still, after long arguments and discussions, the following opinion prevailed at the meeting: We should not look back to the past; we must proceed forward along the path of market reforms. Only then will it be possible to make life happier and richer. And in this the miners must have their say, playing the role of a steam engine which the other branches follow. Igor Dyatlov, cochairman of the Makeyevka strike committee, put it this way, for example: "Let us revive the Donbass together."

This position of the leader of the workers movement undoubtedly met with approval from Vladimir Shcherban, who, as we know, is actively in favor of reforming the economy.

After the meeting was over they adopted a summary resolution and an appeal to the scientific and technical intelligentsia, workers, leaders of industrial enterprises, and entrepreneurs of Donetsk Oblast. In this document the miners gave their OK to conducting market reforms in the Donbass.

Deputy Argues Against Kerch Tunnel

944K2404A Donetsk AKTSENT in Russian 24 Sep 94
p 1

[Article by A. Nikolayenko, Taganrog City Duma deputy and candidate of technical sciences: "Building a Tunnel Under the Kerch Strait Is a Costly Whim"]

[Text] IZVESTIYA recently reported that the Krasnodar Kray administration and the Republic of Crimea have serious intentions of building a dry-land crossing under the Kerch Strait.

Technically this undertaking is quite feasible. However, the figure of \$2-3 billion quoted by IZVESTIYA is far removed from reality: Even to build the tunnel under the English Channel the estimated cost of the project turned out to be understated by half.

As to the Kerch Strait, the approach to the end terminals of the Caucasus (in Kuban) and Crimea railroads consists of technologically obsolete one-track rail lines. Their length on the Russian side is 250 km. The situation in Crimea is no better: Reconstruction will be required on 126 km of the Crimea—Kerch—Vladislavovka—Feodosiya railroad plus 101 km on the Vladislavovka—Dzhankoy segment. That is, a full transportation effect can be achieved only by connecting the Moscow—Voronezh—Rostov-na-Donu—Krasnodar and Moscow—Simferopol main lines via a completely rebuilt Krasnodar—future Kerch crossing—Dzhankoy link.

Add to this expenditures on fundamental reconstruction of the Kerch sea port, which has never played the role of a transit point handling massive volumes of cargo, and modifying it to accommodate Russian shipping, with which the overworked Novorossiysk and Tuapse no longer can cope.

Would it not be better and cheaper, however, to look to the sea port of Mariupol? Unlike the Feodosiya port, it can handle on a massive scale the processing of both Ukrainian and Russian cargo without requiring reconstruction. All it needs is the shortest possible rail link to the Rostov junction via Taganrog.

Ukrainian Mariupol and Russian Taganrog are located on modern electric two-track mainline railroads, which are linked by rail only in a roundabout way with a total length of more than 300 km, although the distance between them is only 110 km.

The Mariupol sea port in terms of equipment and flow capacity is among the four top cargo ports of the former USSR and operates year round. It is quite obvious that in this case most of the transportation problems of Russian Black Sea ports can be solved both faster and, as already mentioned, 10-15 times cheaper, precluding at the same time any political problems whatsoever, while the idea of a 110-km rail link may be fully incorporated into the Russian-Ukrainian broad-scale agreement on comprehensive economic cooperation, which is currently being worked on.

Government Report on Winter Preparations

944K2339A Simferopol KRYMSKAYA GAZETA
in Russian 16 Sep 94 p 1

[Report from the government of the Republic of Crimea at the first session of the Supreme Council: "On Preparation of the Branches of the Crimean National Economy for Work During the Fall-Winter Period of 1994-1995"]

[Text] Esteemed Deputies!

The peculiarity of this year's preparation of the branches of the national economy for operation during the forthcoming fall and winter period is directly related to the economy and the condition of the budget. Therefore, for reasons that are generally known, these questions are very crucial in Crimea, as they are in Ukraine. Taking into account the difficulty of the situation, they were raised as primary ones practically everywhere immediately after the completion of the preceding winter period.

On the organizational plane at enterprises and associations of branches in Crimea, a particular group of tasks was earmarked along with specific individuals to carry them out, and measures were earmarked for supporting production programs under the conditions of partial limitation of electric energy, gas, and raw materials. At the beginning of the summer, practically all the executive committees discussed this problem at their sessions and

adopted the corresponding resolutions, outlining a program of action in the local areas.

In order to coordinate the actions of the departments, associations, and organizations in the preparatory work, at the beginning of June participants in a government meeting considered the question "On Measures for Supporting the Work of the National Economic Complex of Crimea During the Fall-Winter Period of 1994-1995." Participating in the discussion of it and the development of a program of actions in the preparatory stage were representatives of city and rayon executive committees and leaders of republic associations and departments. With a decree, they approved the measures for promptly putting the electrical supply, heating, ventilation, and hot water systems in order, repairing roofs, putting residential and public production buildings in order, repairing and testing heating systems, and preparing railroads and highways. Specific instructions were issued to create the necessary reserve of fuel and materials to eliminate the consequences of possible natural disasters and emergencies.

Subsequently, in order to coordinate the work being done, this question was considered in August at an expanded meeting of the collegium of the Ministry of State Industry and also at government working conferences.

One of the major factors determining the preparations for winter is the readiness for it on the part of housing and municipal services.

As of 1 September 1994, the association had performed 36 billion karbovantsy' worth of work for repairing heating supply facilities. Repair was actually completed on 123 boilers (70 percent of the planned annual volume), and work is being done on the rest of them in compliance with the established schedules. Repair has also been completed on 141 central heating points (95 percent) and 14 kilometers of heating networks (117 percent). Repair work for preparing the heating system will be completed before 1 October of this year.

Additional measures have been adopted for implementing a program of capital construction and reconstruction of heating supply facilities in which there were arrears.

In September, construction will be complete on one boiler each for the residential rayons of Zalesye and 142d quarter in Simferopol and the sixth and seventh microrayons in the city of Alushta.

As of 1 September, in the Krymteplokommunenergo association, a reserve of liquid fuel amounting to 18,200 tonnes had been created, that is 62 percent of what the capacities will hold.

Additionally, suppliers of petroleum products for the association have delivered another 11,500 tonnes. Thus, before 15 September, all the storage capacities of the

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association's boilers will be full. Including those of such large consumers of liquid fuel as the boilers of Feodosiya and Kerch.

During the period of September-December, it will be necessary for Krymteplokommunenergo to acquire another 46,000 tonnes of fuel oil and 1,800 tonnes of furnace fuel. This will require a budget subsidy in the amount of 140 billion karbovantsy, which will be allotted to it.

The work done by Krymteplokommunenergo for preparing sources of fuel for the heating association can be considered satisfactory, which cannot be said about the departmental boilers. Together with the boilers of the Minselkhodzprod [expansion not identified], they heat more than 40 percent of the housing. In order to subsidize departments with this kind of services, the local budgets of the cities and rayons are to receive a subsidy in the amount of 384 billion karbovantsy. But, in reality, as of 1 September, only about 50 billion karbovantsy had been allotted for these purposes.

But, in many cases, the reason for the poor preparation of these boilers is the inadequate responsibility of a number of department managers when it comes to this issue.

At a conference in the Ministry of State Industry, all of them were warned about their personal responsibility for solving these problems.

In the housing under the local councils, 8,000 residential structures (half the planned number) with an area of 4.6 million square meters (54 percent) have been prepared for winter. Repairs have been made on 388,000 square meters of roofing (104 percent), and 185 inside heating systems (61 percent), including 64 with capital repair (66 percent). Here too there is a shortage of financial funds. According to the control figures, a subsidy to housing organizations in the amount of 161 billion karbovantsy will be deposited into the local budgets of the cities and rayons. But, as of today, only 63 billion karbovantsy have actually been allotted.

Such a state of affairs causes serious concern. This pertains especially to the cities of Feodosiya, Yalta, and Simferopol, where preparation of the housing under the local Councils is behind schedule. If the local city and rayon executive committees do not concentrate funds in the accounts of housing organizations in the near future, the preparation of housing for the cold weather will not be completed on time.

Work for preparing water management and sewerage facilities is keeping up with the schedules that were developed.

In the existing critical situation with water supply, measures have been taken for strictly economizing on the expenditure of water. Each month special government directives establish the limits on the intake of water. Schedules for the operation of water reservoirs were

drawn up back in April. At the same time, the amount of precipitation that fell in Ukraine was considerably less than normal, and we did not receive the predicted minimum accumulations. At the present time, Simferopol water reservoirs have been completely exhausted. In the Zagorsk and Schastlivensk water reservoirs, which supply Greater Yalta, the reserves of water are enough for 45 days. The situation is the same in Alushta, where there is enough water to last for 70 days.

In this situation, the government has approved measures for providing water for Simferopol, Yalta, and Alushta. Effective 1 September, the daily amount of water supplied to Simferopol is to be cut by half, and to Yalta and Alushta—by 70 percent.

The amount of water supplied according to this schedule will undoubtedly cause dissatisfaction among the population. At the same time, these measures were forced on us. In this situation, the city executive committees of Simferopol, Yalta, and Alushta must establish the strictest control over adhering strictly to the schedule. Unfortunately, this has not happened yet, since the water is supplied constantly to certain rayons and in others there is none at all. All this causes additional difficulties and justified indignation on the part of the residents.

According to calculations that were done, to provide the population with water in the present extreme situation would take an additional 140 billion karbovantsy. On the initiative of the government of Crimea, the government of Ukraine has considered this problem and has given assurances that it will be resolved in a positive manner.

In order to prepare for the operation of city electric commuter transportation during the fall and winter period, it was planned to replace 4 kilometers of contact lines (1.5 kilometers in the cities and 2.5 kilometers on the Simferopol-Yalta route), and this was done. Work has been completed for repairing 38 trolleys and 2,000 tires have been acquired for the vehicles, which fully satisfies the need.

In compliance with the earmarked plans, at enterprises of the Krymenergo LEO [expansion not identified], energy and hot water boilers and the steam turbine have been repaired. Work for capital repair of the Feodosiya-Kerch power transmission line and the substations is being done on schedule. The startup of the Zapadnokrymskaya substation is planned for October, and the Solnechnaya and Zagorodnaya substations—the fourth quarter.

As of 1 September, the assignment for accumulating fuel is being fulfilled. The thermoelectric power plants actually have 60,200 tonnes of coal and 17,800 tonnes of fuel oil.

Since Crimea's own electric power plants can cover no more than 10 percent of the projected energy load during

the fall and winter period, arrangements have been made to obtain it from the consolidated energy system of Ukraine.

Last winter's practice showed that regulating the load by restricting capacities of industrial enterprises is not sufficient to keep within the quotas established by the national dispatcher center of Ukraine and that it is necessary to resort to systematically cutting off consumers in turn according to local schedules. In order to reduce the damage, schedules for shutting off power have been developed and coordinated in the majority of cases.

In compliance with the decree of the government of Crimea No. 75 of 9 June 1994, at all industrial enterprises of the Ministry of City Industry, measures have been developed for preparing facilities for operation during the 1994-1995 fall and winter period.

The measures specify the main kinds of work: repair of boilers, heating systems, roofs, and glass in production and domestic premises and the creation of fuel reserves. The course of the implementation of these measures is being monitored by the city and rayon executive committees and the Ministry of City Industry of Crimea. The work is being done fully in keeping with the schedules approved by orders for the enterprises, and, as of 1 September 1994, 40-50 percent of the basic measures have been completed at enterprises of the chemical industry, 70-80 percent—at machinebuilding plants and light industry enterprises, and 60 percent—at enterprises of the defense complex of Crimea.

Special attention is being devoted to the readiness for winter of enterprises that have boilers, which, in addition to providing for technological needs, heat housing and facilities for social, cultural, and domestic purposes: the More production association (the village of Primorskiy), the Zaliv plant (microrayon 10-11), the Hidropribor plant (village of Ordzhonikidze), and the Simferopol plants—the electrical equipment plant, Selmash, Sentekhprom, Ukragroremmash, the accessories plant, the Feodosiyskiy machine plant, the Titan production association, and the soda and bromine plant (housing supplies of the cities of Armyansk and Krasnoperekopsk).

The tasks that were set have been carried out at the electrical equipment plant, the accessories plant imeni Ostrovskiy, and Santeckhprom, where the only problem is the shortage of funds to acquire the full volume of reserve fuel (fuel oil).

Special concern is caused by the extremely difficult situation that has developed at enterprises of the city of Feodosiya, mainly because of the lack of fuel reserves for the fall and winter period:

More Production Association

To heat the village of Primorskiy during the fall and winter period will take 6,000 tonnes of fuel oil (18 billion karbovantsy). The enterprises have no fuel reserves or money to buy them.

A large amount of work will have to be done to repair the heating lines, which will take about 4,000 meters of pipes.

The Hidropribor Plant

It will take about 7,000 tonnes of coal to heat the village of Ordzhonikidze. There are no funds for acquiring it.

The Opticheskiy Plant

The boiler facility heats the residential area adjacent to the plant, which will take 4,000 tonnes of fuel oil (10 billion karbovantsy). There is no reserve of fuel oil. Ukraine's indebtedness to the plant for the past heating season is 7.5 billion karbovantsy.

By a protocol of the presidium of the Cabinet of Ministers of Ukraine of 21 June 1994, the Ministry of Finance and the Ministry of the Machinebuilding Industry of Ukraine are to grant credit to enterprises of the branch for buying fuel. All accounts with enterprises of Crimea have been turned over to the Ministry of the Machinebuilding Industry, but the question of granting credit has not been decided yet.

In order to provide for the technological process for operation of the Crimean division of the Dnepr Railroad, the following have been procured:

- fuel oil—3,533 tonnes, with a plan for 9,000 tonnes;
- coal—1,155 tonnes, with a plan for 16,500 tonnes;
- diesel fuel—1,600 tonnes, with a plan for 19,500 tonnes;
- diesel oil—87 tonnes, with a plan for 320 tonnes.

The management of the railroad division (V.V. Melnik) and managers of enterprises and organizations have been warned of the need to take the most radical measures to carry out what has been earmarked.

The necessary measures have been taken for preparing transportation and road enterprises for operation during the fall and winter period.

Work is being done to develop operational plans for enlisting people and technical equipment for snow removal on the main highways.

The Krymavtodor, Yuzhdorstroy, and Upordor-1 highway management organizations have taken measures for preparing highways for use during the fall and winter period. Thus, Upordor-1 has procured 1,470 of the planned 732 [as published] cubic meters of sand and 64 of the planned 935 tonnes of salt; two of the planned 26 heating points have been equipped, and repairs have been done on two out of seven rotary snow removal devices, one of the two track layers, six out of nine bulldozers, seven out of nine automatic graders, 10 out of 27 sand spreaders, one out of 100 sand bases, and five out of five sites for storing materials.

Special winter clothing and fuel and lubricants have not been procured. Plans have been drawn up for the distribution of bases and storage facilities for de-icing materials and sections of highways where snow drifts are likely to have been determined.

Work to prepare for winter has been done in the Krymavtotrans territorial production association. Buildings have been repaired—510, with a plan for 838; bus service stations—one, with a plan for two; auto service stations—20, with a plan for 48; cash points—14, with a plan for 18; dormitories—one, with a plan for two; boilers—20, with a plan for 40; heating lines—33 kilometers, with a plan for 38 kilometers; devices for starting up bus engines—33 out of 55 units; and fuel supply (coal)—2,200 tonnes, with a plan for 7,900 tonnes.

Regarding the question of supplying the Republic of Crimea with natural and liquefied gas negotiations are being conducted at the present time with the Russian joint-stock companies Gazprom and Orenburggazprom. It should be remembered that Crimea's annual demand for natural gas is 2.2 billion cubic meters, and its own extraction is 0.6 billion cubic meters.

As of 6 September 1994, 300 million cubic meters of gas had been pumped into the Glebovskoy underground reservoir, which is four times more than as of this time last year. Before the end of the year, the Chernomorneftegaz enterprise will have to put two wells into operation at the Shtormovoye gas deposit and four at the Golitsynskoye. This will make it possible to increase the daily supply to the consumers by 350,000 cubic meters of gas and to increase its own extraction to 2 million cubic meters per day.

During the period of lower temperature, the actual extraction and removal from the underground reservoir will make it possible for Chernomorneftegaz to supply the consumers with 4.5 million cubic meters of gas per day. Crimea's daily demand during the winter is about 9.5 million cubic meters of gas.

A difficult situation with the supply of gas has developed in the eastern region of Crimea. Here, because of the lack of a main gas line, the population uses liquefied gas. At the end of August 1994, the government of Crimea published instructions on increasing preferential norms for the sale of liquefied gas. There is gas at the Feodosiyskiy gas filling station. But, because of the inability of the population to pay, the gas will not make it to the group reservoir installations. Thus, for the city of Feodosiya, as of 7 September 1994, 139 of the 153 installations were without gas.

Questions of financing the construction of the first section of the Dzhankoy-Feodosiya-Kerch gas pipeline will also be decided with the government of Ukraine.

Regarding providing the enterprises with fuel oil. As of 1 September 1994, there were 53,000 tonnes or 50 percent of the monthly consumption during the fall and winter

period. Our capacities make it possible to store 185,000 tonnes of fuel oil at one time. A month's supply of fuel oil is available at such enterprises as Krymenergo and Krymteplokommunenergo. It must be noted that the cost of a tonne of this fuel oil (not including transportation costs and value-added tax) is 3 million karbovantsy.

In order to improve the supply for the population of the eastern part of Crimea, an additional 5,000 tonnes of fuel oil have been accumulated at the Feodosiya petroleum base.

Special difficulties are involved in the purchase of furnace fuel. Residuals of it in Crimea as of today amount to 900 tonnes, and the monthly demand of the population during the fall and winter period is 7,000 tonnes. The high purchase price (7 million karbovantsy per tonne) and the price at sale (150,000 karbovantsy per tonne) have created problems in finding funds to cover this difference, which amounts to 47.5 billion karbovantsy.

In order to improve the delivery of solid fuel and create reserves of it, in August the government went to Ukrainian Prime Minister V.A. Masol with a request to improve coal deliveries to Crimea. Kiev promised support, and, as of 1 September 1994, the level of deliveries corresponded to the average for Ukraine.

Residuals of coal in the Krymtoptivo administration as of 1 September 1994 amounted to 13,900 tonnes, or 30 percent of the normative reserves, including for municipal services consumers—10,500 tonnes or twice the norm. As before, because the consumers do not have funds, fuel is being released to municipal service consumers very slowly. With a declared demand of 260,000 tonnes for the year and 66,000 tonnes allotted, only 42,000 tonnes have been sold, that is, 16 percent and 64 percent, respectively.

Because of the 1.63-fold increase of wholesale prices for coal effective 1 August 1994 and effective 15 August 1994 the 1.3-fold increase in railroad rates, for September-December the Krymtoptivo administration will require 45.7 billion karbovantsy in subsidies each month (the overall total up to the end of the year will be 182.9 billion karbovantsy) in order to make up for the shortfalls in deliveries and deliver the planned quotas.

Lviv Privatization Problems Detailed

944K2296A Lvov POST-POSTUP in Ukrainian No 30, 25-31 Aug 94 p B2

[Interview with Taras Pakholyuk, head of the privatization administration, by Dzvinika Novakivska; place and date not given: "Lviv Has Experienced A Heavy Loss—Because Of Privatization Battles The City Has Lost Its Common Sense"]

[Text] "BIZNES P-P" [POST-POSTUP] has already written about the reorganization of the Lviv Municipal Property Fund, which according to general opinion has

put the city so far behind in the race for privatization that today Lviv is not even able to trail along at the back. There is no one to trail. At our request, Taras Pakholyuk, head of the newly formed privatization administration comments on the progress of Lviv privatization.

[Pakholyuk] If we analyze the first period of activity of the Lviv Municipal Property Fund—from February through March 1993—and compare it to the next period (March-April) we can notice a sharp increase in privatization (as a rule, it was through lease with option to buy). Lviv operated no worse than the other cities of Ukraine. Nevertheless, a certain group of people in the Fund voiced doubts as to the expediency of lease with option to buy instilling these doubts in Mr. Sukhov, head of the auditing committee. (With lease with option to buy, only the property is assessed and not the use of the premises and therefore prices on installations are fairly low.) And thus in April of this year began the "privatization" trouble between the Municipal Property Fund and the City Council which led to the suspension of destatization in Lviv for approximately three months. In the end the Fund was reorganized and two Administrations were formed: Privatization and Municipal Property.

[P-P] Leasing—this is one of the means of privatization. Why then in the division of the Municipal Property Fund the duties of leasing and privatization were divided between Administrations?

[Pakholyuk] The city council made a mistake. The Statute on Privatization Agencies states that the privatization agency is to be concerned with leasing as well as privatization. But against the background of endless procrastination during the spring, this point was disregarded. We expect that when the Statute on our privatization agency is ratified we will concern ourselves with leasing. After all, the Administration has been in operation only since July 25, 1994. And the first task that I gave the privatization Administration was to make a list of facilities that were to be privatized in 1994. Almost 400 of these still can find an owner by the end of the year. If the legislation is not changed, they will basically be privatized through lease with option to buy. Every work collective will try to create as quickly as possible an organization of lessees so that the facility does not end up at auction.

[P-P] If the division of functions between the Privatization Administration and the Municipal Property Administration remains in force, what is your administration going to concern itself with?

[Pakholyuk] We will try to conduct economic competitions, designating those enterprises which will be able to receive the right to be bought. Therefore we will send out to all enterprises which are subject to privatization announcements about the competition based on the results of the first half of this year. By the end of August all those who want can send us these indices. As of September we will create a list with the results, which will be divided into groups. Among them two winners will be designated and the weaker enterprises (including lease debtors and bankrupts) will be added to the auction list. I will not guarantee that it will take place.

[P-P] According to the President's Edict On the Unification of Privatization Agencies, your Administration is supposed to be subordinated to the regional department of the State Property Fund...

[Pakholyuk] It was to have taken effect after the issuing of the Cabinet of Ministers Decree Concerning the Statute on Municipal Privatization Representatives. That is, administrative-territorial privatization agencies were to be reorganized into municipal representatives of the State Property Fund. This decree was to have been issued by April 15, 1994, but the Statute on Privatization Agencies was worked out only in June. When in July the presidential edict was already to have been implemented, the draft of the Law on City Councils appeared. It sanctioned a return to the formation of privatization agencies by the City Councils themselves, which is in contradiction to the presidential edict. In the recent Decree Concerning the Improvement Of Mechanisms Of Privatization, in point 15 it states: "The Ukrainian Cabinet of Ministers, the Supreme Council of Ukraine and Municipal Councils of People's Deputies should prepare observations on the creation of a single system of privatization agencies by October 1, 1994." This means that by October 1 the process of unification will not have occurred. For now the privatization Administration, subordinate to the City Council, is part of the Council structure and is subject to the deputy chairman of the Council.

AZERBAIJAN

Aliyev Issues Edict on Draft Oil Contract

944K2402A Baku BAKINSKIY RABOCHIY in Russian
23 Sep 94 p 1

[Edict issued by the president of the Azerbaijan Republic in Baku on 14 September: "Results of the Negotiations With the Consortium of Foreign Oil Companies on the Joint Exploitation of the Oilfields in the Azerbaijan Sector of the Caspian"]

[Text] In accordance with the principles set forth in the directive of the president of the Azerbaijan Republic of 4 February 1994 concerning an acceleration of the development of the offshore oil and gas deposits, the State Oil Company of the Azerbaijan Republic has completed the negotiations, which lasted more than three years, on the conclusion of a contract on the joint development of the Chirag and Azeri fields and also the deep-sea part of the Gunesli field in the Azerbaijan sector of the Caspian with Amoco Caspian Sea Petroleum Ltd, BP Exploration (Caspian Sea) Ltd, Den Norske Stats Oleselskap A.C., the Lukoyl Stock Company, McDermott Azerbaijan Inc., Pennzoil Caspian Corporation, Ramco Khazar Energy Ltd, Turkiye Petrolleri A.O., and Unocal Khazar Ltd, which are members of the consortium of Western oil companies. The oil reserves of these fields are put at more than 500 million tonnes.

The report presented by the State Oil Company to the president of the Azerbaijan Republic describes from the economic viewpoint the draft contract that has been prepared as effective and acceptable to the Azerbaijan Republic. It is noted that 80 percent of the investments necessary for the development of the fields will be made on the part of the consortium and that, after the contract has taken effect, the first oil will be produced within 18 months, oil production at the main fields will begin within 48 months, and the construction of a pipeline providing for the efficient shipment to the international market of Azerbaijani oil is to be completed within 54 months. According to the contract, Azerbaijan reserves the right to supervise and control the exploitation of the deposits.

Azerbaijan will obtain profits in this process from three sources: profit obtained by right of ownership of the natural resources; profit connected with participation in the investment in the development of the fields; tax receipts to the extent of one-fourth of the consortium's profits. All this will ensure that Azerbaijan will obtain 80 percent of the profitable oil. In addition, the casing-head gas recovered from the oil, reserves of which are put at a volume of 55 billion cubic meters, will also constitute the property of Azerbaijan. The availability at the deposits that will be developed by the consortium of 90 billion cubic meters of free gas, which is also reserved to Azerbaijan, increases the economic results of this contract even more.

The joint development of the oilfields is anticipated for a period of 30 years. This will lay the foundation for the economic and social well-being of the people of the Azerbaijan Republic on the threshold of the 21st century, and real results will be obtained in the coming years. Under the conditions of transition to a market economy, currency receipts in the tens of billions of dollars will provide for the qualitative renewal of the scientific and production engineering base of the entire economy and, primarily, oil industry. This will lend impetus to the development of petroleum machine building, which has long been in a state of stagnation, and petroleum-refining and chemical industry. This, together with overall economic growth, will help strengthen the personnel potential and afford an opportunity for the creation of new jobs. Azerbaijan's industry will assimilate progressive foreign experience of the exploitation of carbo-hydrogene deposits located at great sea depths. This will subsequently afford an opportunity for the independent exploitation of these deposits.

The profit that is obtained will provide for the transition of many sectors of Azerbaijan's economy to high technology and will afford an opportunity here for the updating of its infrastructure. The successful operation of large oil companies in the Azerbaijan Republic will strengthen foreign countries' trust in our state and will undoubtedly create a basis for the attraction of new foreign investments.

Guided by the above and taking account of the State Oil Company's positive evaluation of the draft contract with the consortium of foreign oil companies on the joint exploitation of the oilfields in the Azerbaijan sector of the Caspian, I resolve:

1. To approve the report of the State Oil Company of the Azerbaijan Republic and the draft contract on the joint development of the Azeri and Chirag oilfields and the deep-sea part of the Gunesli field in the Azerbaijan sector of the Caspian and the distribution of the recovered oil on a share basis between the State Oil Company and Amoco Caspian Sea Petroleum Ltd, BP Exploration (Caspian Sea) Ltd, Den Norske Stats Oleselskap A.C., the Lukoyl Stock Company, McDermott Azerbaijan Inc., Pennzoil Caspian Corporation, Ramco Khazar Energy Ltd, Turkiye Petrolleri A.O., and Unocal Khazar Ltd.
2. To instruct Natic Aliyev, president of the State Oil Company, to sign the contract on the joint development of the Azeri and Chirag fields and the deep-sea part of the Gunesli field in the Azerbaijan sector of the Caspian and the distribution of the recovered oil on a share basis between the State Oil Company and Amoco Caspian Sea Petroleum Ltd, BP Exploration (Caspian Sea) Ltd, Den Norske Stats Oleselskap A.C., the Lukoyl Stock Company, McDermott Azerbaijan Inc., Pennzoil Caspian Corporation, Ramco Khazar Energy Ltd, Turkiye Petrolleri A.O., and Unocal Khazar Ltd.

[Signed] Geydar Aliyev, president of the Azerbaijan Republic

City of Baku, 14 September 1994.

Guseynov Comments on Russo-Azeri Relations

944F1566A Moscow NEZAVISIMAYA GAZETA
in Russian 22 Sep 94 pp 1,3

[Interview with Prime Minister of Azerbaijan Suret Guseynov by Vitaliy Portnikov; place and date not given: "Suret Guseynov: 'I Am Young, and My Prospects Are Good'; the Prime Minister of Azerbaijan Intends To Do Only Good to the End of His Life"]

[Text]

[Portnikov] Mr. Prime Minister, before our interview, you said that first of all you want to talk about the opinion of the Government of Azerbaijan on the development of relations between your country and the Russian Federation.

[Guseynov] Our relations have always been amicable, and they are also good now, and I think that there are no problems here. There are only different political forces and different states that want to ruin these relations. I think that everyone should know that both peoples—Russian and Azeri—have become so intermingled that we have blood relations. And we must take care of and strengthen these relations. There should be no other thoughts. We have always trusted the Russian people, and we believed in their honor and justice. You know that blood is being spilled in Azerbaijan for the sixth year. Foreign forces that wanted to destroy the close relations between two friendly countries in a certain measure got what they wanted. All of the republics that previously lived together look at this conflict today from the sidelines, and they do not want to know what the problem is and what is happening with Azerbaijan. There are so many economic crises today that one brother does not have the time to find out what is happening in the house of another brother. It is already six to seven months that Russia has been trying to end this war through political and peaceful means, and you know that an armistice set in for four months, and new prospects can be expected. I want the Russian people to know that we are relying on them in this conflict. We know that the Russian state and government will make every effort to stop this bloodshed.

[Portnikov] Tell me, if we can shift to internal political affairs, after you completed your march on Baku and after then President Abulfaz Elchibey resigned, a lot of observers in Russia did not understand the political arrangement in Azerbaijan, when you actually fully controlled the situation in the republic, but, at the same time, you agreed that another person should become president and you satisfied yourself with the role of head of government, a role that is always a thankless one. What moved you at that moment? You never said...

[Guseynov] Regarding Elchibey, I will tell you that he was conducting a policy against Russia at that time. His team severed all relations with Russia, and it wanted to find a new friend for itself. I have always said that we should not forget old friends. Elchibey's supporters

called me a friend of the Russian military, which had to be destroyed. The Elchibey team wanted to evict the Russian-speaking population from our rayons by provocative means. But I never allowed a Russian to be chased out of his home. They wanted to kill me, but God helped me.

With respect to power—I really did have the power, the people supported me, I was the leader, and I am also a leader now. But I did not fight for the chair. At the time that I was still in Gyandzha, before my arrival in Baku, Elchibey and his team offered Gaydar Aliyevich the post of chairman of the parliament, and so our discussion started with this. He called me up in Gyandzha and said that he also has to obtain my approval. I simply said: You want to become the first person, please, the road is open. I am young, and I have good prospects. I can even wait awhile. And I came to the post of prime minister not from the street, I held five positions before this: general director, plenipotentiary of the Ministry of Defense in Narodnyy Karabakh...

[Portnikov] You talk in your interview with the newspaper RESPUBLIKA about the differences that arose between the presidential staff and the executive authority, you talk about the fact that the government should acquire the legislative initiative in order to put its policy into effect, and I also understand that these differences have also been noted not just in Moscow. A report of the Azerbaijani Information Agency came to Baku that was by no means written in warm tones with respect to you, and this is also a symptom of the fact that "not everything is all right in the Azerbaijani realm..."

[Guseynov] Everywhere that a state encounters an economic crisis, the government always receives the necessary powers to resolve all questions quickly and efficiently. The government does not have the necessary powers in Azerbaijan now, and I put the question this way, that all powers should be returned to the cabinet.

[Portnikov] You now said confidently that you are a leader, and you feel that you have the power behind you. Is this the power of a person who enjoys popularity among the masses, or is it the power of a person who has the support of military formations, or are you relying on connections with the Russian military?

[Guseynov] I do not at all measure power in terms of force structures, I measure power in terms of majority support. I always helped my friends from the time that I realized myself, and I helped the poor and the unfortunate. And now and in the future, this is my policy, this is my position, and I will to the end of my life always do only what is good.

[Portnikov] But can you do something good for Russian oil companies that are keenly interested today in cooperation with your country?

[Guseynov] This is a question for today and the future. I think, when it comes to oil, a contract has to be concluded with Russia, because economic relations in our country have evolved with Russia over decades. And they developed in such a way that neither Russia nor Azerbaijan should retreat from strengthening these relations. As the first obligation, we must conclude the first contract with our neighbor and brother, and only later, remaining contracts. But the government now does not have any powers with respect to oil. Back in Elchibey's time, he published an edict, and, through this edict, an oil corporation was fully subordinated to the president. (NEZAVISIMAYA GAZETA: Several days after the interview, Azerbaijan signed a contract with a Western consortium for the development of its oil deposits, though with 10 percent participation of the Lukoyl Company.)

[Portnikov] How would you predict the future development of the situation in your country?

[Guseynov] I would like to say that, if we will be frank between ourselves and profess fraternal and friendly relations, then there will be no politics between us at all, we will find a way out of a developing situation no matter how difficult it is. But, if we begin to resolve questions through political methods—this road will prove to be much longer, and such a policy will not be worth a brass farthing.

GEORGIA

Government Crackdown on Mafia Examined

944K2390A Moscow NEZAVISIMAYA GAZETA
in Russian 15 Sep 94 p 6

[Article by Nodar Broladze: "War Declared Against Organized Crime in Georgia: The Mafia Thinks About Countermeasures"]

[Text] Georgia's law enforcement agencies, as previously reported, have declared war on the mafia and racketeers. Judging from the firm statements, this matter has been decided, and the state does not intend to back down. In this connection, events that continue to concern both the official leadership and the public are recalled.

Giya Gulua, Georgia's 38-year-old deputy minister of internal affairs, who headed the transport police, was shot to death on 20 April 1994 at 0900 in his official car outside the entrance to his own home. "Just in case," the killers, who fired at him with Kalashnikov assault rifles, simultaneously killed the MVD staff member and driver who were waiting for Mr. Gulua. Shortly before the attack several unidentified persons had herded children into nearby school and kindergarten buildings. A week later, on the night of 26-27 April, Kakha Leladze, a member of the Georgian Rescue Corps (the corps was established as a successor to the Mkhedrioni organization and presently performs functions related to civil defense), was killed in his apartment along with two

other Mkhedrioni members by three late-night guests who had come to settle scores.

The Tbilisi newspapers hastened to inform readers that suspects in Gulua's murder had been arrested. However, in a conversation with a NEZAVISIMAYA GAZETA correspondent, professional detectives denied these claims. As for the killers of Leladze and his colleagues, a highly placed source indicated that the case has essentially been solved, but the "suspects have no relation to any official agencies."

For what reason could Giya Gulua, who spent a long time as a captive of ex-president Gamsakhurdia's supporters in Western Georgia, went through the war in Abkhazia, and most recently headed the transport police, have been killed? The traditional and typical theory for the past two years—that it was an act of revenge by Gamsakhurdia's supporters—is possible, but for some months now the motivation for sensational crimes committed in Georgia has been undergoing a fundamental transformation. Political assassinations, which have still not ended, are being replaced by acts of retribution aimed at removing persons responsible for state control over facilities that mafia structures desperately need. It was several thousand transport policemen, who were directly subordinate to Giya Gulua, who dictated the rules of the game on railroad and highway arteries. I would venture to suggest that the police did not always handle this grave responsibility exclusively in the interests of the state. The importation of fuel (from the Northern Caucasus, Azerbaijan, and even Bashkiria)—a sphere in which the state has lost its influence—has turned into a source of sizable income. Moreover, Georgia's roads, which are geographically convenient, are being used for the purposes of international drug shipments. Unlawful trade and, simply, middleman operations are not in the state's interests. Although it has not always interfered with the passage of such shipments, the opposition, for some mafia bosses, is becoming a stumbling block.

The fact that it is organized crime that has created the largest networks in the country does not surprise legal specialists and political scientists. The state treasury amounts to a huge deficit, while criminal groups have already amassed dollars in inconceivable amounts.

Thirty-six-year-old Shalva Natelashvili, chairman of parliament's legal commission and member of the World Association of Lawyers, claims that the new mafia is made up, in part, of those who during the Soviet period were involved in the material supplying of the nomenklatura and the bribery of high officials in Tbilisi and Moscow. With the beginning of the national movement, they were the ones who began financing the political associations, parties, and movements that emerged. The mask of national patriots, keen intuition, and enterprisingness enabled them to infiltrate all governmental structures. Behind them, Mr. Natelashvili believes, are groups of armed criminals. At the same time, an explosive

mixture of former petty criminals, economic managers, and people belonging to the new political and military class that has been formed during these troubled years has attached itself to them. Possessing power and, accordingly, access to immense credits, they are becoming large property-owners by buying up real and movable property—up to and including production enterprises—and are privatizing all this, establishing companies, importing and exporting various products, and buying villas abroad. And for all that they remain virtually invulnerable. Present-day mafiosi often employ armed guard services that are even larger than that of the head of state. They do everything possible to establish their independence of customs, border, law enforcement, and other agencies. Whoever infringes on the freedom of such a person, even one of lesser importance, to do anything he wants risks getting a bullet in the head, and the killing of Tbilisi Procurator Mikhail Kurdadze (March 1993) in the entryway to his own home is confirmation of that. Incidentally, despite promises and hints, that case has not yet been solved. One may assume that the procurator's killer himself is no longer alive. But not everyone can make that assertion. The procurator himself was forced to shut up by those who feared that incriminating materials would be made public.

In the opinion of a number of members of parliament and the law enforcement agencies, the increasingly frequent acts of reprisal in the context of so-called economic crimes reflect an attempt to block the toughening of the state policy of fighting the mafia and corruption that was proclaimed by Eduard Shevardnadze back at the end of 1993, immediately after the gang of supporters of ex-president Zviad Gamsakhurdia had been eliminated in Western Georgia. But so far nothing has been done to implement that toughening.

The killing of the four Mkhedrioni members made a round 20 terrorist acts—sensational cases whose investigation has been completed or is in progress. They include two attempts (the first was an act of revenge by Gamsakhurdia supporters) on the life of Dzhabu Ioseliani, chairman of the Provisional Committee on the State of Emergency and the founder and leader of the Mkhedrioni (now the Rescue Corps)—a trial in the first case is under way, and the second has not been solved; an attempt in Western Georgia on the life of Georgiy Karkarashvili, then minister of defense, whose life was miraculously spared in a bombed car (no charges filed); the killing of Fred Woodruff, an employee of the U.S. Embassy in Tbilisi and of the American special services; the killing of Grigoriy Zhordaniya, director of Tbilisi Tobacco Factory No. 1 (investigation in progress); the killing of Mkhedrioni leaders Zaza Vepkhvadze and Giya Svanadze (investigation in progress), and other killings or attempted killings, including the killing of

Giya Gulua and Kakha Leladze, which either remain unsolved or the investigations of which are still in progress.

As Georgian Procurator General Dzhamlet Babilashvili has stated, the country has no established practice or experience in fighting organized crime, since it only recently appeared in its present form and under new circumstances. Based on the analysis of statistical data, the procurator indicated that "lately there has been a significant increase in the number of missing persons who are still being sought by law enforcement agencies. According to Mr. Babilashvili, a trend toward an increase in unmotivated killings is also worrying. "All this," the procurator general believes, "constitutes dangerous symptoms of the mafia's criminal deeds. Killings for hire are becoming widespread, which makes the solving of crimes in this category more difficult." Babilashvili is certain that a significant number of the sensational killings committed in Tbilisi are the result of settlements of scores by the mafia.

In declaring war on crime, state agencies clearly recognize the full gravity of the clashes that lie ahead. However, an official statement by Shota Kviraya, minister of internal affairs, states that, along with public support, the MVD "feels the assistance and support of the republic's procuracy, Ministry of Defense, and security service." He speaks of united, coordinated actions by the power structures, as well as the conformity of such actions to law. "There will be severe punishment for every act of violation of the presumption of a citizen's innocence or flouting of his rights and dignity," warns Mr. Kviraya, recalling at the same time that, with respect to those who put up armed resistance to the police, "the most severe measures will be taken, up to and including their elimination on the spot." Incidentally, according to Procurator Babilashvili, crimes in office are also being committed by intellectuals who hold high public office and have mafia connections. The "white collar" employees, who have extensive connections, attempt to employ every possible lever as soon as a real threat to their interests arises. "We will do everything possible to withstand any influence," the procurator general assures the public, "whether it be telephone calls, appeals through influential persons, or other manifestations." Kviraya, in turn, indicates in the statement that the 50,000 MVD personnel will spare no effort, energy, or even their lives to save society from organized crime, corruption, drug abuse and drug trafficking, and mafia clans, and to restore law and order in Georgia.

And so, the state is taking action. The mafia is taking countermeasures. Whether small fry or genuinely big fish will be caught, only time will tell. But the "maneuvers" have begun. A duel for the right to lead and establish social order—in one way of interpreting it or another—is beginning and, it appears, promises to be rather intense. The public is frozen in expectation.

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